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U.S. SMALL BUSINESS ADMINISTRATION

ADVISORY COMMITTEE ON
VETERANS BUSINESS AFFAIRS

PUBLIC MEETING

THURSDAY, DECEMBER 6, 2018

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1 P R O C E E D I N G S

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3 (9:08 a.m.)

4 MR. STUBBLEFIELD: All right, good morning,
5 everyone. Welcome to our December Advisory Committee
6 meeting. Before I turn it over to our Chair, I just
7 want to go on the record with the committee saying that
8 the committee honors the life and public service of the
9 Nation's 41st President, George Herbert Walker Bush.
10 President Bush was a family man, a patriot, a
11 statesman, and a successful businessman and a veteran.
12 Our thoughts and prayers go out to the Bush family
13 during this difficult time.

14 With that, I'll turn it over to our Chair.

15 MR. ZACCHEA: Okay, good morning, everybody.
16 This is Mike Zacchea. I'm the Chair of the Advisory
17 Committee on Veterans Business Affairs. I just want to
18 say that President Bush was certainly a member of the
19 Greatest Generation, but he came back from service and
20 started a business, and in many ways set the example for
21 all veterans coming back from combat and reintegrating
22 into American society.

23 I know that he set the example for me. I
24 really and truly believe that in this -- the post-9/11
25 generation of combat veterans -- that there are future

1 leaders of our country, that there's a future president
2 out there who is going to follow President Bush's
3 example. Thank you.

4 Okay, so what I'd like to do now is take a
5 roll call. We'll start over here on my right, please.

6 MS. HOOK: My name is Alyssa Hook, and I am
7 with the Office of Veterans Business Development at
8 SBA.

9 MS. PEREZ-WILHITE: Good morning, everyone.
10 I'm Fran Perez-Wilhite with the North Carolina Military
11 Business Center.

12 MR. PHIPPS: Michael Phipps, the Millennium
13 Group.

14 MR. SHELTON: Brandon Shelton, Task Force X
15 Capital.

16 MR. STUBBLEFIELD: Larry Stubblefield, Office
17 of Veterans Business Development.

18 MR. ZACCHEA: Mike Zacchea, I'm the Chair,
19 and I'm the Director of the UConn Entrepreneurial Boot
20 Camp for Veterans.

21 MR. O'FARRELL: Jim O'Farrell, AMMSG.

22 MR. LOWDER: Lynn Lowder, Veteran Business
23 Project.

24 MR. CRANE: Eli Crane, Bottle Breacher.

25 MR. FENDER: Alex Fender, Funnel Science.

1 MR. ZACCHEA: Anybody on the phone, would you
2 please identify yourself.

3 MS. O'BRIEN: Sure, this is Elizabeth
4 O'Brien, U.S. Chamber of Commerce Foundation, Hiring
5 our Heroes.

6 MR. HAFER: This is Evan Hafer, CEO of Black
7 Rifle Coffee.

8 MR. ZACCHEA: Was that Evan Hafer?

9 MR. HAFER: Yes, this is Evan Hafer from
10 Black Rifle Coffee.

11 MR. ZACCHEA: Anyone else?

12 (No response.)

13 MR. ZACCHEA: Okay, I just want to make
14 reference real quick to a report that Larry
15 Stubblefield brought to my attention. The report was
16 published by the New York Fed. It's called "Veteran
17 Entrepreneurs and Capital Access." And I just want to
18 read a sentence from the introduction.

19 "For decades, military veterans have been a
20 vital part of the nation's business center, leveraging
21 the valuable skills they gained during their service to
22 start businesses across the country. However, veteran
23 entrepreneurship is facing a generational decline, with
24 young veterans owning businesses at lower rates
25 compared to past generations. Furthermore, we are now

1 beginning to see veterans owning businesses at lower
2 rates compared to nonveterans.”

3 One more sentence. “Of particular concern
4 for policymakers is whether veterans have a more
5 difficult time accessing capital than nonveteran
6 business owners.”

7 So I sent a copy of the report to everybody.
8 We believe that one of the great barriers to this
9 generation of veterans starting businesses is access to
10 capital, and I want to thank Larry Stubblefield and his
11 staff and the Office of Veterans Business Development
12 for their contributions to this report.

13 MR. STUBBLEFIELD: Thank you. Thank you,
14 Mike. We’re going to talk a little bit about the
15 report during my portion here this morning. So at this
16 time, we’re going to go into OVBD updates. So do we
17 have the slide up? I think you all have copies of the
18 slides.

19 Oh, what I thought we would do is just kind
20 of look back, if you will, at the year in review. And
21 it was a pretty successful year in OVBD. For our Boots
22 to Business program, we reached a cumulative, all-time
23 high of 85 participants this fiscal year from the start
24 of the program through 2018. The 2019 National Defense
25 Authorization Act mandates changes to the DOD

1 Transition Assistance Program, which will impact the
2 B2B program. In other words, Boots to Business will no
3 longer be an elective; it will be part of the mandatory
4 training during that transition assistance week.

5 The VBOC program, recompleted all of our VBOC
6 grants in Fiscal Year 2018, expanding the total number
7 of VBOCs from 20 to 22, adding VBOCs in North Dakota
8 and Tennessee.

9 VBOCs in 2018 serviced over 52,000 clients.
10 Our Entrepreneurial Training Programs were very
11 successful. Those are our programs for women veterans,
12 service-disabled veterans, and veteran-owned small
13 business -- businesses who want to compete in the
14 federal contracting market.

15 National Veteran Small Business Week was
16 another success, and I'm going to ask everybody to
17 forgive me a little bit for my -- like Fran, we are
18 both recovering from laryngitis this week. But our
19 National Veterans Small Business Week, we had close to
20 10,000 veterans, service members, and military spouses
21 participating in entrepreneurial training events. And
22 there were more than 200 training events across the
23 nation.

24 We had presidential recognition for National
25 Veteran Small Business Week. The President came out

1 with a statement supporting National Veteran Small
2 Business Week, and with our social and -- social media,
3 we were able to reach out to over 4 million people
4 across the nation in regards to National Veteran Small
5 Business Week.

6 I -- back in March, I traveled to
7 Williamsburg to attend the National -- the annual
8 conference, rather, for the National Veteran Small
9 Business Coalition. And at that time, we signed a
10 strategic alliance memo solidifying our relationship
11 and what SBA will do to help the National Veteran Small
12 Business Coalition promote their mission.

13 We also signed an MOA with the VA for -- with
14 the Vocational Rehabilitation and Employment folks.
15 And in other words, with their various tracks, if they
16 have someone that goes to the VA and they're interested
17 in self-employment, they will refer them to SBA, and we
18 in turn will make referrals back with the SBA -- or
19 with the VA, rather.

20 And then the last bullet there just talks
21 about the Veteran Small Business Scale-Up Program. I
22 think most of you aware that this year we were
23 recipients of the President's Salary, so we -- the
24 president donated \$100,000 in support of veterans, and
25 at this time, we're kind of looking through our options

1 on how we're going to utilize the funding. We're
2 thinking in terms of a possible scale-up program
3 similar to what we do in our Office of Entrepreneurial
4 Development and Emerging Leaders type of program, but
5 more to follow on that.

6 Okay, on the next slide, Mike made reference
7 to the report, and I think you all have the -- I'm not
8 going to -- this is just kind of like some of the key
9 findings here. And one thing that the Chairman and I
10 had talked about where the report was concerned was
11 what would be the next steps. And if you recall, Mike,
12 we had talked about possibly forming a subcommittee
13 here out of the FACA to do a deeper dive, if you will,
14 on the report and then maybe come up with
15 recommendations and thoughts going forward on what we
16 need to do to promote access to capital for our
17 veterans, you know, business owners and folks that want
18 to go into business.

19 So I don't know, Mike, if you had anything
20 else you wanted to say about the report.

21 MR. ZACCHEA: Not at this time.

22 UNIDENTIFIED ON PHONE: Now who's talking?

23 MR. ZACCHEA: Mike Zacchea, not at this time.
24 I think it's a really important report. I want to make
25 sure everybody gets to read it.

1 MR. STUBBLEFIELD: Are there any comments on
2 the committee in regards to the report? I think you
3 did say you sent it out to everybody, right?

4 (No response.)

5 MR. STUBBLEFIELD: All right. Okay, at this
6 time, I'm going to turn it over to Alyssa Hook. I just
7 want to remind the committee, we've talked at a number
8 of our meetings in terms of our surveys, our Boots to
9 Business surveys, and so we've heard you loud and
10 clear. Alyssa's going to go through what we're doing
11 with our outcome survey. You know, there's two
12 surveys, the in-course survey and the long-term outcome
13 survey, where we're trying to track and find out where
14 people are after they've attended our Boots to
15 Business. So with that, I'll turn it over to Alyssa,
16 and she'll walk you through what it is that we're doing
17 here at OVBD with that survey.

18 MS. HOOK: Thanks, Larry. Alyssa Hook. I am
19 a data analyst on the contract support team for the
20 Boots to Business program within OVBD. Today, I am
21 here to talk about some of the challenges we faced with
22 the data we've received for the outcome survey and our
23 plans to revise and move forward with a different
24 administration methodology to better assess
25 intermediate and long-term outcomes for Boots to

1 Business program participants.

2 So for a brief background, the outcome survey
3 is administered via an online platform to all B2B
4 participants who provided an email and agreed to
5 participate in a followup survey. So the survey in its
6 current form is pretty lengthy, a maximum of about 44
7 items, depending on skip logic, so meaning how they
8 respond to a certain item, it can kind of push them
9 into a different pool of questions.

10 The survey is administered one year after
11 completing a Boots to Business course, and again
12 annually thereafter. So we're pinging people
13 essentially once a year after they complete their B2B
14 course. Ultimately, the goal of the survey was to gain
15 insight on program outcomes -- what are folks doing in
16 the years after completing a B2B course. One of the
17 common questions we get is number of business starts.
18 It's a common question with entrepreneurial training
19 programs.

20 So upon administering the survey for a few
21 years, we came to realize myriad issues with the survey
22 administration methodology, and that was really
23 impeding our ability to make valid inferences and
24 judgments about outcomes. So I'll provide a little
25 more detail on each of these in just a moment, but for

1 a high-level overview, you can see that our key
2 challenges here included an inability to generalize our
3 outcome data to the larger Boots to Business population
4 due to sampling issues and a low response rate,
5 questionable data quality due to some missing items,
6 contradictory responses, and analytical issues with
7 some of our longitudinal data points caused by high
8 attrition over time.

9 So first we'll go into generalizability and
10 some of our issues there. So in its simplest form, the
11 goal of collecting survey data is to better understand
12 a population. It can be pretty much impossible to
13 survey every single person within a population, so what
14 we do is grab data from a small subset of individuals,
15 and we consider that our sample population.

16 So being able to generalize essentially
17 allows us to extend the findings from our sample
18 population and apply that to the population at large,
19 in this case, the Boots to Business population. And,
20 ultimately, we experience two key issues here that
21 threatened our ability to generalize data -- sampling
22 bias and a low response rate.

23 So I don't want to get too technical into
24 each of the following bullet points here for sampling
25 bias, but essentially sampling bias occurs when your

1 sample population does not accurately reflect the true
2 value of your larger population. So essentially the
3 sample is systematically different in a meaningful way
4 from the larger group. So the data we're getting from
5 that sample is really an artifact of how we collected
6 the data and who chose to respond to the survey.

7 So when sampling, we sent the survey out to
8 every participant who gave us a valid email, and we
9 accepted whatever we got back. So we cast a really
10 wide net. The problem there is that the folks who
11 choose to respond are different from those who don't.
12 So in contrast, if you were to have an unbiased sample,
13 the differences that you would see from your sample
14 group in the larger population are just due to chance,
15 not inherent differences between the two groups. So in
16 that sense, random sampling as opposed to sampling
17 every single person really helps mitigate that sampling
18 issue.

19 Second, response rate, this is essentially
20 the percentage that's calculated by dividing the total
21 number of people who responded to the survey by the
22 total number of people who were surveyed. So research
23 has shown average response rates for online surveys are
24 lower than in person, so they hover around 30 to 35
25 percent, and our response rate was about 2 percent. So

1 significantly lower than what we would hope to see for
2 strong data.

3 So moving on to data quality issues, there
4 were a few factors that affected the validity of our
5 data, and each of those are listed here. So missing
6 items. Some of the surveys we received back had a
7 number of items that were just not completed, so some
8 folks were responding to certain items and skipping
9 others and leaving those blank. And what that does is
10 that exposes us to a nonresponse bias.

11 So as I just discussed with the low response
12 rate, people can either no respond to the survey at
13 all, or they can only respond to certain items. And
14 the issue with that is that people who are only
15 responding to certain items may only be completing the
16 survey to respond in a particular way, maybe favorably,
17 they will only want to report things that look for
18 them, or negatively, so that can be inherently
19 problematic.

20 So next is contradictory responses. This is
21 problematic. It wasn't as prevalent as the missing
22 items, but essentially what this means is that some
23 individuals who completed multiple surveys reported
24 inconsistent information over time on items that really
25 should have remained stagnant. So, for example, we had

1 some folks respond, yes, I started a new business at
2 their baseline survey, their one-year; and then at
3 their two-year, they responded, no, I didn't. And how
4 -- which response do you take as valid? How do you
5 account for that difference? So in that sense, it
6 really made us kind of question the qualify of the data
7 we were getting altogether.

8 Third is inconsistent time periods between
9 survey completion. So some folks, while we were
10 supposed to ping people kind of at that one-year, two-
11 year, three-year mark, some folks completed the survey
12 right at that time, and some people waited a couple
13 months. The problem with that is that when you are
14 conducting longitudinal data, you want to ensure that
15 each of your data points kind of pool right around that
16 year mark. And if you don't, then you can't really
17 make valid conclusions about the one-year point if
18 they're completing it kind of at different times. We
19 really just can't correlate our data to a particular
20 time point if that happens.

21 So just kind of as an aside, a best practice
22 to mitigate that is to conduct your survey and just
23 give participants a particular time range to complete
24 the survey and then close it off so that you can't come
25 back to it.

1 Lastly, we experienced extremely high rates
2 of attrition. So less than a quarter of individuals
3 who completed their baseline or one-year surveys
4 completed a two-year survey, and that just shows a huge
5 loss to follow up in high dropout trends, which is
6 inherently problematic. When you're conducting
7 longitudinal data, you want to ensure you have as many
8 completions per person per time point as possible to
9 maximize the power of your study.

10 So it's really not going to give us any
11 impactful results if we have so few people that
12 complete each time point. And that's kind of one of
13 the things we saw with our long-term points.

14 These data essentially are just best managed
15 with advanced statistical software packages that will
16 give you kind of a better insight and to account for
17 missing time points and ensure that there's accurate
18 techniques that are applied to that data to provide
19 meaningful output.

20 So all of this distilled down kind of takes
21 us to the next slide. The data we have collected so
22 far just cannot be generalized to the larger Boots to
23 Business population. The lack of a representative
24 sample ultimately does not allow SBA to make valid
25 inferences or conclusions about intermediate and long-

1 term outcomes for Boots to Business participants.

2 And we saw that those who chose to respond
3 are your responders, and they are inherently different
4 from your nonresponders. And they're a systematically
5 different population.

6 Further, results from a survey with a large
7 nonresponse rate can be misleading and are really only
8 representative of the people who applied. So looking
9 at number of business starts for the sample we have, it
10 really only applies to that X amount of people. We
11 can't apply that to the larger population.

12 So upon recognizing each of these challenges,
13 we determined it was vital to restructure our survey to
14 make sure that we are collecting quality data and
15 reporting on solid outcomes.

16 So listed here are each of the goals with our
17 survey revision. By developing a scientifically
18 structured administration methodology and sampling
19 plan, we can collect reliable data that preserves our
20 survey validity. We can generalize our results to the
21 larger Boots to Business population, and we can provide
22 stakeholders with insight about intermediate and long-
23 term outcomes for participants who have attended the
24 course. So those are kind of each of the things that
25 we're going to try to get at with our redesign.

1 So like I said, the survey is currently
2 undergoing revision. Each of these are kind of some of
3 the key points that we want to touch on with revising
4 the survey. A big one is reducing the number of
5 questions, and this will essentially minimize
6 respondent burden and also try to reduce our dropout
7 rate. So if folks are getting some survey fatigue,
8 there's too many questions that are essentially just
9 going to kind of drop off and close the survey, which
10 really threatens the quality of the survey and the data
11 we receive back.

12 We are also, with that, when we reduce the
13 number of questions, you want to make sure that each
14 item really particularly aligns to some of your key
15 performance metrics, so it can be easy to say, well, if
16 we're throwing a survey out there, let's add questions
17 on this or that or the other, but you need to be
18 extremely intentional about the items you choose to
19 include on that survey and make sure that you will use
20 every item. So we want to be really intentional about
21 that process.

22 Next, modifying our introductory language is
23 important. You can really just kind of lose people
24 right there if your introduction is lengthy, if it's
25 confusing, if it's got too much technical jargon. So

1 we really want to reduce that down, be a little more
2 succinct, a little more precise. That's kind of where
3 you can capture people and have them interested in it.
4 So that's one of the things we'll be doing. We really
5 want to emphasize confidentiality. Some folks can get
6 really uncomfortable with providing information they're
7 not comfortable with, so focusing on that.

8 Next, we want to make sure that we consult
9 our interagency partners for feedback. Surveys always
10 go through the best process when you've got iterations
11 and you've got professional expertise and feedback to
12 kind of bolster those items, and then we will submit
13 that to OMB for approval.

14 So lastly is our implementation plan, and
15 this is what we'll be working on while we're waiting on
16 that OMB approval. First, we want to determine an
17 appropriate sample size. So your sample size will be
18 driven by the amount of error that you're willing to
19 accept for your survey. So the smaller the error
20 you're willing to accept, the larger your sample size
21 will be.

22 From there, we want to conduct a random
23 sample of the population. We want to switch this up
24 from surveying everything to just collecting a random
25 sample. And like I said, this will help reduce that

1 sampling bias and gather more of a wide variety of
2 individuals in the population.

3 So, ultimately, it's not about the quantity
4 of people who respond; it's about the quality of your
5 sampling and the randomness of your sample, and that
6 allows you to generalize, and it's kind of a
7 representative population.

8 We will then disseminate our survey with an
9 online platform and aim for a much higher response
10 rate. So we plan to do that by sending multiple email
11 reminders, and also would love to encourage instructors
12 to start talking about the survey at the end of class,
13 letting people know. And by doing that you're really
14 giving them opportunity to message the survey in a
15 positive way.

16 So, you know, this is your opportunity to
17 provide us with feedback or information about where you
18 are in the years after Boots to Business, we're really
19 excited to hear that from you. This can really help
20 with response rates because you're priming the
21 participants and you're essentially building kind of
22 buy-in and interest and investment in helping us out
23 down the line, especially since it will be a year
24 later.

25 So really those things, after significant

1 research and my background with research and survey
2 design, we are confident that each of these changes
3 will help us produce a survey, an administration plan
4 that will essentially pull out outcomes that we can do
5 something with and that will be meaningful and
6 impactful. So this is just kind of a snapshot of our
7 timeline and project plan that we're leveraging to make
8 sure we complete all the tasks and subtasks and stay on
9 our anticipated deadline so we can disseminate the
10 survey in the next fiscal year.

11 MR. STUBBLEFIELD: I was going to say,
12 Alyssa, you might have to walk through the timeline
13 a little bit because I don't think -- people can see
14 it --

15 MS. HOOK: Yeah, you're right, it's a little
16 small. So, first, that kind of first gray line there
17 just goes through the survey revision, so there's a few
18 different items there. We're revising the survey
19 introduction, we're revising the items, soliciting
20 feedback.

21 The second gray line there is OMB information
22 collection requests, so we need to fill out an ICR and
23 submit that. And then the third one is our
24 administration methodology, so going through our
25 sampling plan, writing a standard operating procedure

1 document so we can stick with that in years to come and
2 produce that for sampling.

3 MR. PHIPPS: When does it add -- when is the
4 survey?

5 MS. HOOK: Looks like -- so our goal is to
6 submit for OMB approval on January 7th.

7 MR. CRANE: Ms. Hook?

8 MS. HOOK: January 7th

9 MR. PHIPPS: This January 7th?

10 MS. HOOK: Yes.

11 MR. CRANE: This is Eli Crane. Of the 2
12 percent you said that actually got back to you, what
13 kind of numbers are we talking about? Are we talking
14 about, like, 6-, 7,000 people?

15 MS. HOOK: In the hundreds.

16 MR. CRANE: In the hundreds?

17 MS. HOOK: Mm-hmm. Yeah.

18 MR. CRANE: Would it skew your data if a lot
19 of people obviously aren't answering the emails,
20 responding to the emails? Would it skew the data if
21 you had somebody assigned to actually doing followup
22 telephone calls?

23 MS. HOOK: No. So you can do multiple
24 sampling methods, which means, like, email and phone
25 call. That's perfectly acceptable. You just want to

1 remain consistent with that method. So, you know,
2 maybe say after three emails, then you begin conducting
3 calls. Again, as long as it's written into your SOP
4 and you stay consistent with that, it's completely
5 acceptable.

6 MR. CRANE: Is that something that might be
7 looked at, or is that something in your world that is
8 just, you know, really not that effective?

9 MS. HOOK: No, I think it's a great question.
10 It's always much better when you've got someone on the
11 phone. I think that it would just depend on resources
12 and availability --

13 MR. CRANE: Right.

14 MS. HOOK: -- in terms of what percentage of
15 the sample would really be needing a phone call, but,
16 you know, if the survey isn't very lengthy and it's
17 only going to be a small subset of people, it's totally
18 doable.

19 MR. CRANE: And you did say that the
20 difference between the people that were answering and
21 the people that are not is that the people that are
22 answering were responders? Is that what you said?

23 MS. HOOK: Yeah, and tend to be just part of
24 a different population. So research has shown that
25 folks who are nonresponders to surveys may have kind of

1 just these different demographic and attudinal
2 variables in general. So, you know, a lot of the data
3 that we got back, we had a pretty high percentage of
4 people who started businesses. And really all that to
5 say is that those folks just might have been really
6 excited to share with us. And, so, that's a totally
7 skewed, distorted image of the population.

8 MR. CRANE: Okay. And, final question,
9 projected timeline for you guys to implement these new
10 changes, what are you thinking?

11 MS. HOOK: Yeah, so we would hope to -- let's
12 see, produce our SOP by next December. So, really, I
13 think the OMB process can take up to 200 days or
14 something like that. So it would kind of depend on
15 when we get that approval, but we would be doing the
16 sampling methodology SOPs in the background while we're
17 waiting on that approval. So our goal was really
18 within the fiscal year to get this implemented.

19 MR. CRANE: Thank you.

20 MS. HOOK: Mm-hmm.

21 MR. O'FARRELL: Jim O'Farrell. So stepping
22 back for a second from the survey, from the survey side
23 of this, can we all agree that this is a training
24 evolution that people are going to a Boots to Business
25 class, a two-day workshop, right? So are you familiar

1 with the Kirkpatrick methodology of evaluation?

2 MS. HOOK: I am not, no.

3 MR. O'FARRELL: Okay, so it's a training
4 methodology that's globally accepted. It has four
5 phases, and I'll read them off to you. The first one
6 is reaction. So I'm sitting in the class, and at the
7 end of the class, they give me a survey, right? Many
8 people have gone to training classes in the DOD and
9 other places, and you get a survey at the end of it.
10 So it's how did the -- how did the trainee respond or
11 react to the training.

12 Then there's learning. I might give you a
13 quiz and say did you learn anything because I started
14 with a set of training objectives. Then there's
15 behavior. Did I change my behavior three months, six
16 months, a year later? Now I'm starting to get to where
17 you are with the survey, right?

18 And then there's results. Did somebody
19 actually start a business and has that business been
20 successful as a result of what that little seed that
21 was planted in the Boots to Business class. It strikes
22 me that right now the SBA is focused on the -- way over
23 on the results as opposed to starting this process. So
24 I guess either at this meeting or at the next meeting,
25 I'd like to hear what the survey -- what kind of

1 surveys are being done starting right there in the
2 class. That's request number one.

3 The other one is that you're saying that it's
4 a year from now before you'd actually get this through
5 the process, and that seems way too long because we've
6 been asking, how long, Mike Phipps, since we've been on
7 this committee -- three, four years -- to get some real
8 Boots to Business data, and you come before the
9 committee today and basically tell us that you can't
10 get people to respond, and when they do respond, it's
11 not the right people who are responding.

12 To me, that's unsatisfactory. We need to do
13 better, and I think there's a better way. I think one
14 of our other committee members here is suggesting
15 things, you know, phone calls, getting them right there
16 when they're in the classroom, when they finish the
17 class, why aren't we surveying them then? And if we
18 are, I'd love to see what those results are.

19 MS. HOOK: Mm-hmm.

20 MR. O'FARRELL: Thank you.

21 MR. FENDER: Alex Fender, Funnel Science.
22 What other methods can we do to gather this data other
23 than the survey?

24 MS. HOOK: Hmm, I think it would take
25 collaboration with some other data sources, but --

1 that's a great question.

2 MR. SWEET: This is Andy. I work with
3 Alyssa. Andy Sweet.

4 MR. STUBBLEFIELD: Andy, you've got to
5 come -- you've got to come to the mic.

6 MR. SWEET: We have several efforts under way
7 to employ data-sharing with DOD. The combination of
8 the positive identification of a person and the ability
9 to associate that person with a unique business
10 identifier, you know, an EIN, for example, but those
11 types of data we don't have access to right now to be
12 able to correlate. We have an application for data
13 sharing in with DOD for approval. Once we get that,
14 we'll be able to get positive identification on the
15 individuals to the military service number.

16 Once we get that, it is possible, if we had
17 access to other business data sources, to correlate
18 that to business ownership perhaps. But I'm not sure
19 how far off in the future those items are, and that
20 would require a bit of investment and emphasis on, you
21 know, our data capabilities.

22 MR. FENDER: I'm confused by that. Do we
23 have access to the list of VOSBs and SDVOSBs at SBA or
24 at the VA? Are you able to go onto the website and
25 look up companies' names and who owns them?

1 MR. SWEET: Yes, we would be able to do that,
2 but we don't have the data link available to do that
3 automatically, but we will be able to do it just like
4 through the person interface.

5 MR. FENDER: So is it possible that we scrub
6 the one database of confirmed veteran-owned service
7 businesses and then compare that to the attendees list
8 in Boots to Business --

9 MR. SWEET: Well, the --

10 MR. FENDER: -- and then start there?

11 MR. SWEET: -- it depends on what you think
12 is a positive identification of an individual. So
13 right now, we don't have any real authentication on the
14 individual identity. We collect the first name, a last
15 name, and the email address, and a zip code. So we've
16 streamlined that on purpose to make it easy to be able
17 to execute the administration of the classes, but that
18 -- and from my data point of view, that's not a
19 positive identification of a person. And correlating
20 those first name/last name to a first name/last name in
21 a VOSB database is problematic.

22 MR. FENDER: First name, last name, email
23 would not constitute as a match, those three variables?

24 MR. SWEET: Email, yes. I don't know that we
25 would have the same email. Most of the emails that

1 would be in a business database would be business
2 emails, and we work with mostly private emails. So I'm
3 not sure that the alignment of that would match up.

4 MR. FENDER: Interesting. So why do we
5 continue to survey?

6 MS. HOOK: Why are we continuing?

7 MR. FENDER: Yeah. What can we --

8 MS. HOOK: Because -- I mean, ultimately,
9 there has not been a strong survey methodology behind
10 it. And, so, I think with experience and research and
11 a specific design that we can stick to, we can produce
12 satisfactory results and gather insight from that data.

13 MR. PHIPPS: This is Mike Phipps. I just
14 want to say a couple of things here because I actually
15 see what Alyssa reviewed as a huge positive. When we
16 first started and we saw the results from the SBA's
17 survey data on Boots to Business, we didn't believe it.
18 We questioned it rigorously. There are different
19 methodologies; however, the fact that -- and we had
20 said something at that point in time, we need better
21 survey methodologies.

22 I think really what we're seeing is the
23 evolution of some of the things that we've requested.
24 I know there's a lot of negative in this report, but
25 the fact that unlike the VA, the fact that currently

1 all of it's transparent, we've identified the issues.
2 When I was Chairman and I had to -- we did the survey
3 and then we got our hand slapped because of this OMB
4 process, for people who aren't aware, to do a survey
5 for any kind of population for a government agency,
6 there's a huge process that OMB requires you to go
7 through. Plus, there's a lot of privacy issues, right?

8 What we want, the data on a lot of that, is
9 restrictive just in government in general, right? So
10 for us to kind of understand what those privacy issues
11 are, I mean, one is can we get a better identifier,
12 right, because I think that cross -- you know, doing
13 the cross-correlation of the different databases is
14 huge, if we can get a good identifier; or, hey, let's
15 just do it now with the email addresses that we have,
16 would it be better than 2 percent, right? That's -- we
17 could just do that.

18 But this process is not simple. And I know
19 because I got in a lot of trouble for trying to do a
20 survey -- for trying to do a survey for -- against,
21 basically, OMB regulations. And there's a privacy
22 issue. So at some -- if somebody else came and did
23 kind of a -- played devil's advocate, we would -- a lot
24 of us would be saying, no, you're not going to collect
25 my Social Security number in just a simple Boots to

1 Business training.

2 So we have to try to find what we think
3 veterans would be willing to give -- is it a date of
4 birth, is it, you know, an identifier? And take what's
5 happening now -- I would like to see the survey
6 questions before they go to OMB. I think the whole
7 committee should at least see it because this committee
8 has experience with that, and we're the perfect litmus
9 test for what we would or wouldn't answer, right?

10 MR. O'FARRELL: Mike, I got to jump in for a
11 second, then.

12 MR. PHIPPS: Go ahead.

13 MR. O'FARRELL: So Jim O'Farrell again. So,
14 you know, I hear what you're saying, I just don't like
15 to see a year. And I think actually maybe a year is
16 aggressive because I am familiar with the OMB process
17 from what we went through before. And she may actually
18 be too aggressive in the timeline here for getting this
19 completed.

20 So that's what I was kind of wondering, and
21 you just asked the question about seeing the actual
22 interview questions -- or the survey questions. If we
23 don't have the right survey questions, we're still
24 going to get garbage in, garbage out, right? We're
25 still not going to get the data that we want, even if

1 the survey is 100 percent with random sampling, the
2 participants show up and participate.

3 That's why I was just going back to if we
4 start right there and do an evaluation of how the
5 actual class is received, not a year later, did they
6 start a business, but actually -- we know, Mike, that
7 there are things going on in the class.

8 MR. PHIPPS: Ask Alyssa that, why aren't we
9 doing that?

10 MS. HOOK: So we are implementing a quality
11 assurance survey, which is administered to participants
12 within the month after their class, and that's our
13 other survey.

14 MR. O'FARRELL: Oh, there's no -- it's not
15 possible to do a survey at the end of the class of the
16 second day or the end of the first day? It would be
17 interesting to see because we've heard rumors that
18 people come to the first day, then they sign in on the
19 second day, then they take off.

20 MR. STUBBLEFIELD: I was just going to --

21 MR. O'FARRELL: Go ahead.

22 MR. STUBBLEFIELD: -- I was just going to ask
23 Andy if you could speak to the TAP survey because, you
24 know, to your point, Jim, of an immediate survey, there
25 is one on the DOD side, you know, that we've talked

1 about maybe possibly not having our own immediate one,
2 but just, you know, tapping into that -- the TAP
3 survey. So Andy?

4 MR. SWEET: No pun intended. Yeah, the TAP
5 survey is implemented by DOD, and it is a little bit
6 different than ours. Ours is not anonymous. We know
7 who we're sending our surveys to and receiving them,
8 but the DOD one is anonymous. So they -- and their
9 survey is with regard to the whole -- their whole
10 transition program, and so there are a small number of
11 questions on their vary large survey that have to do
12 with the entrepreneurship track. So we -- we do
13 receive those, I believe quarterly.

14 MS. HOOK: Quarterly.

15 MR. SWEET: Quarterly, those results. And
16 there's a lot of, you know, open text boxes where they
17 comment on things that we kind of read through, but
18 each quarter, we probably receive, I don't know, it's
19 not too many, but -- and it's only a series of about
20 five questions or so with regard to the
21 entrepreneurship track.

22 MR. O'FARRELL: What are the questions?

23 MR. SWEET: I don't have those in front of
24 me.

25 MR. O'FARRELL: If there are only five of

1 them.

2 MR. SWEET: But we could endeavor to ---

3 MR. O'FARRELL: Can you provide those?

4 MR. SWEET: -- bring them back for the next
5 session.

6 MR. FENDER: How many researchers are doing
7 the survey collections or working on your team?

8 MS. HOOK: Me.

9 MR. FENDER: So it's not going to be possible
10 for you to contact 85,000 people in a year. Is there
11 any effort or any talk about working with any schools,
12 specifically analytics programs, and leveraging that
13 talent to assist in this process?

14 MS. HOOK: Yeah, that's a great idea. I
15 think it would just take, like I said, kind of
16 producing the sampling plan and assessing what type of
17 resources are needed, and then maybe looking into some
18 outside person who could help us.

19 MR. PHIPPS: This is Mike Phipps. I just
20 wanted to hit on one thing Eli said about the phone
21 calls. Not necessarily a phone call to do the survey,
22 but a phone call, hey, you got an email and -- and a
23 reminder is very quick and can be -- some of that can
24 be automated, and that -- sometimes you get that phone
25 call or the voice message saying, hey, you got the

1 email, fill it out, is just enough to kickstart and it
2 wouldn't require a full -- and I think that's what Eli
3 might have been --

4 MR. CRANE: Yeah, I mean, especially for the
5 entrepreneurs in the room that are in the middle of
6 startup, most of us are in just triage mode, and we're
7 going through our emails, and that's not a fire, that's
8 not a fire, I'm not going to die if I don't answer this
9 one, and you just -- you're Xing -- you're deleting
10 everything. So to Mike's point, I think the redundancy
11 of a phone call, you know, might be beneficial.

12 And I know, Alyssa, you probably don't have
13 time to make that many phone calls, but even if they
14 could get you an assistant or somebody, I'm sure that
15 would be really helpful.

16 MR. SHELTON: Alyssa, can I ask a quick
17 question? This is Brandon. Just a quick question
18 about the higher level and we're not getting enough on
19 the elicited. We only get it every 90 days. We get
20 this update. Okay, so, I guess for Larry, for you and
21 your team, I mean, did I hear correctly in your update
22 that this -- well, I'll back up a sec.

23 Boots to Business is a voluntary -- it's like
24 an elective if you're transitioning out. You can
25 participate in the program, it's provided by the SBA,

1 through region, right? So it's voluntary for the
2 service members anyway. But is that becoming
3 mandatory? Did I hear that correctly?

4 MR. STUBBLEFIELD: Part of the FY 19 NDAA --

5 MR. SHELTON: Right.

6 MR. STUBBLEFIELD: -- says that it's going to
7 be -- the service members are going to have to make a
8 mandatory selection between employment, education, and
9 entrepreneurship.

10 MR. SHELTON: So for me, is there an
11 opportunity within the legalities -- I mean, we're
12 dealing with just government morass here, right, like
13 restrictions, time, all that stuff, and we don't deal
14 with that as private sector folks. So my point is does
15 that open a window, that very nuanced change? Because
16 that's 200,000 service members a year from 85,000.
17 That's a huge leap in scale. Could we use that in our
18 favor saying, yes, SBA will take this on and we fully
19 support, however, we need more data and more survey
20 data if it's going to be -- you know what I'm saying,
21 like can we use that opportunity to --

22 MR. PHIPPS: Or we identify it.

23 MR. SHELTON: Just something, but can we use
24 just that window of something mandated now and
25 structurally it has to happen? Can we use that to get

1 more resources, change the survey, get more opt-in?
2 Because all we want to track is is the thing working,
3 is it helping you grow your business faster than you
4 would otherwise. So can we -- I don't know all the ins
5 and outs of how all this works, but is there an
6 opportunity to, like, either accelerate some programs
7 or create or be creative just from that very nuance
8 that's going to be mandated?

9 MR. STUBBLEFIELD: Excuse me. I would say a
10 point well taken. We're in the planning phase, if you
11 will, working with DOD toward the -- it's a -- 1
12 October, 2019 is the start date, and so we've got this
13 period of time where we're at the executive council,
14 the steering committees are meeting. And as Andy
15 indicated earlier, the data sharing, the importance of
16 the data sharing, but it's just a matter of working
17 through the --

18 MR. SHELTON: The process?

19 MR. STUBBLEFIELD: -- process and the
20 interagency piece and the whole nine yards, but this --
21 but that's a great point, and it is something that
22 we're looking at.

23 MR. SHELTON: I just think -- and this is
24 Brandon again -- I just think that's where I'd take the
25 fight. I'd take the fight right there and say, look,

1 it's now mandatory, I didn't make the rules, but it's
2 mandatory; however, if you want us to be effective
3 using taxpayer dollars, right? It's a huge effort to
4 deliver these programs. I don't know how many manhours
5 that -- I don't know how many millions of dollars we
6 pay -- tax dollars to deliver Boots to Business to
7 86,000 people for 12 months, but let's use that to our
8 favor, saying, look, we want to be good stewards of the
9 taxpayers' money, so we need better data, we need more
10 realtime data, within the rules, right?

11 And, so, again, I think if something around
12 opting in at the early days, like Eli's right, I mean,
13 if you're in a firefight 6 months, 12 months later, 24
14 months later, you're starting a business, to be honest
15 with you, you get an email from the SBA, it's probably
16 spam, right? It's going to junk or spam or whatever it
17 is.

18 So -- but we need that data, so if we can
19 capture those individuals when they're taking the
20 course better, I think, Jim, you were talking about
21 that, get more data, is this helpful within the 72
22 hours, and then something beyond, which is what
23 Alyssa's fighting, right? You guys are fighting
24 beyond, you know, did this help you a year or two years
25 from now.

1 That's really important data that we can
2 fight for more resources, but I'm just saying, it
3 sounds like we're dealing with all these -- everybody's
4 rules of the game, and it just seems -- and then, like,
5 to Alex and Eli, who are starting businesses, October
6 next year seems like it's Mars, right? Like, you're
7 thinking about next month, so what can we do to get
8 faster data. That's what I would suggest to the team.

9 MR. GWINNER: Good morning. This is Sean
10 Gwinner from Bunker Labs. Can you hear me?

11 MR. STUBBLEFIELD: Yes, we can.

12 MR. GWINNER: Oh, I'm sorry. I was muted
13 earlier. So one thing I noticed, I actually assisted
14 the regional Boots to Business program or the SBA
15 office in the Philadelphia area. And I got to actually
16 experience the program. One thing I saw that at least
17 this region did very well is they get people to the
18 pond to drink. What I then noticed was that they --
19 here's what I saw. The first day, there was about 50
20 participants, 55; the second day, there was 25. And
21 what that tells me is you do a good job of getting the
22 message out there, but either the content isn't
23 valuable day one, or the second thing.

24 I come from the Philadelphia area, and there,
25 what I -- the collaboration between the different

1 veteran organizations is impeccable. I literally can't
2 escape all the people that are in that veteran
3 ecosystem. So one thing I see that at least the
4 region, the King of Prussia region, which covers
5 Philadelphia, has done very well is they're utilizing
6 their resources, such as Bunker Labs, such as GPVN. I
7 don't see that at a national level. One thing you can
8 even do is right when people come in, ask them why they
9 came, whether it's for the free donuts, whether it's
10 because they're starting a business, whether it's
11 because they need resources for their business. So
12 right there you'll get the bottom line.

13 The next thing you do is you have to develop
14 the relationship regionally and locally with all your
15 other veteran service organizations that now become
16 almost your alumni or your support. So you brought
17 them to the pond, and leverage us to keep them here, so
18 that way, you know, you do your followup, and one of
19 the questions or processes is you can introduce them to
20 all your local partnerships or regional ones, and then
21 have them in day one check off who they want to talk to
22 or who they think would be valuable, so when you do
23 these followup surveys and you see, okay, 30 people
24 responded but 20 we don't know what happened, you look
25 through the surveys and see, okay, they were interested

1 in Bunker Labs and GPVN. Now you have a relationship
2 with them and you can contact them and say, hey, are
3 they still attending, are they still engaging. That
4 way, you can say, hey, did they come for donuts, or did
5 they come to really build a business or learn about
6 what kind of support resources are out.

7 MR. FENDER: Alex Fender at Funnel Science.
8 I'll support what Sean said. I contacted VBOCs, SBDCs,
9 and SBA regional offices, and the common consensus
10 amongst the people that were delivering Boots to
11 Business is it's not -- the program is not designed to
12 start a business. The program is designed -- the
13 content that they are delivering -- has no bearing.
14 They are not -- their goal is not to help you start a
15 business next week.

16 What they are trying to do is deliver
17 content, to just give you information on what's
18 available. So these people are going there, and
19 they're not necessarily qualified to start a business,
20 but the content that's in there is not designed to get
21 them to file. And, so, going back to the Boots to
22 Business program, what is the core concept here? You
23 know, is -- we're evaluating -- we're evaluating the
24 effectiveness of this, of how many businesses are
25 started, but the course content is not designed to

1 start businesses.

2 And then we're surveying on how many
3 businesses are started on it. And, then, the people
4 that are there, like you said, are mandatory required
5 to go, or it depends on the base TAPS commander, the
6 TAPS administrator on the base, whether they even allow
7 SBA to come on and do the Boots to Business. So if the
8 TAPS commander or the TAPS administrator doesn't want
9 them to teach it, then they don't teach it. So that is
10 what's happening.

11 MR. O'FARRELL: Jim O'Farrell. So I can't
12 believe I'm in a situation where I'm defending the
13 Boots to Business program, but over the years, it has
14 been said -- and I've heard it on many occasions --
15 that it's an opportunity for transitioning personnel to
16 kick the tires on what it would be like to start a
17 business, you know?

18 I still go back to the Kirkpatrick model, and
19 I'm putting it out there on the record because it is a
20 globally accepted survey model. We should start with
21 surveying what are the objectives of this program.
22 That's what you were -- I think that's really what you
23 were just addressing. What are the objectives? I --
24 we start there, because conflict is based on unmet
25 expectations. I now -- I firmly agree with you that if

1 you say you're just going to let him kick the tires and
2 then a year later, you ask him, did you start a
3 business, and they go, no, I work at IBM, no, I work at
4 Bottle Breacher, I'm one of the key guys there or
5 whatever, you know, you're going to get different
6 answers. So I think we are -- I think, Larry, we've
7 identified kind of a key issue here.

8 MR. STUBBLEFIELD: Well, I would say, Alex,
9 you're absolutely right. It's an introduction to
10 business. The goal after Boots to Business, like you
11 just said, Jim, you're either going to be interested in
12 it, and if you are, then we -- then that's when our
13 follow-on resources come into play. You know, we're
14 very into -- we've got follow-on courses, with IVMF,
15 with Mississippi State University, SCORE our SBDCs, and
16 so forth. So it's really an introduction, and that's
17 one of the selling points, you know, that we're trying
18 to make as we get out and talk to staffers on the Hill
19 and so forth because, you know, people hear Boots to
20 Business, Boots to Business, and they want to know, you
21 know, for the amount of taxpayer dollars we're
22 spending, how many people have started a business. And
23 I think all of us here would agree that -- I mean, you
24 can go to Boots to Business, but when you're getting
25 out of the Army or, you know, whatever service and

1 you're a junior person, your immediate need might be to
2 feed your family. So Boots to Business may kick in 5
3 years from now, 10 years from now.

4 And then the last point I'll make, we do have
5 a number of success stories, where people have gone to
6 Boots to Business and, you know, and actually gone into
7 business and they're successful. So the notion that
8 you're going to go to Boots to Business for two days
9 and the next thing you know you're going to be, you
10 know, head of a -- you know, a company right away is
11 something that we're -- a message we're trying to get
12 that frame properly, if you will.

13 MS. HOOK: So, Alex, that was --

14 MR. ZACCHEA: So Mike Zacchea. Just two
15 things here. So the first thing is in my program, the
16 number one indicator where I look for potential to
17 start a business is somebody who's been to --
18 specifically to SCORE. One hundred percent of the
19 veterans that come to me to start a business, that
20 actually start a business, have gone to SCORE. So for
21 me, that's the single indicator that I look for about
22 somebody's commitment to starting a business.

23 So to this point about this being an
24 introductory program, I think that there's some real
25 potential in identifying -- and I don't know what the

1 firewalls are between SBA and SCORE for data
2 collection, but I think that there's some opportunity
3 there.

4 The second thing I wanted to ask you is what
5 is the metric or top three metrics that you're trying
6 to identify with your questions.

7 MS. HOOK: Great question. And, so, also to,
8 Alex, your point here, I mean, one of the things that I
9 identify with the service is that, like, we've just
10 discussed, a lot of people are focused on business
11 starts, but like you said, this is an introductory
12 program. So something that we did was we conducted an
13 internal workshop to identify other measures of success
14 -- successful completion of Boots to Business.

15 So maybe for some people, it's starting a
16 business. Maybe for some people, it's realizing,
17 actually, entrepreneurship, starting a business, is not
18 for me. And we would consider that success. So that
19 was really important for us to kind of align those
20 metrics of success and make sure that those items are
21 clear in our new survey, that we're kind of looking at
22 the whole gamut of what people are doing after the
23 program.

24 Maybe they started a business in five years,
25 but right after their program, they decided to enroll

1 in a follow-on course and kind of seek out those next
2 steps to eventually get to a business. So that's
3 really going to be our main focus, is that we've
4 identified some of those interim, intermediate factors
5 that will get them to starting a business, and we want
6 to ensure that we touch on that in our survey. So, you
7 know, what they're doing in the meantime and what they
8 felt like was beneficial of the program to get them
9 there.

10 MR. ZACCHEA: Just a real quick followup,
11 Mike Zacchea again. So I would like to continue to
12 have a dialogue with you about this because I have a
13 sample size -- it's small -- but it's statistically
14 valid, and I've identified variables that have, you
15 know, at my point in my program we're approaching 90
16 percent of people starting businesses within 12 months
17 in our program.

18 So I think that there are variables out there
19 that we can bring to bear that SBA would not have to go
20 outside of its purview in order to make this survey
21 more effective.

22 MR. O'FARRELL: Jim O'Farrell. Can I just
23 also recommend that -- we're going to be voting on a
24 new chairman later today, that in the course of this
25 new fiscal year that each one of us makes a commitment

1 to attend a Boots to Business class in their local
2 region. Thanks.

3 MR. FENDER: Alex Fender at Funnel Science.
4 Does anybody have an idea of just like what the general
5 annual budget is for Boots to Business?

6 MR. PHIPPS: Larry knows it.

7 MR. STUBBLEFIELD: I can tell you it's a
8 little over a million, but, I mean, you take into
9 account the entire -- I want to say follow-on courses
10 and things of that nature, it's a little bit more than
11 that.

12 MR. SHELTON: It's Brandon. Did you say \$1
13 million?

14 MR. STUBBLEFIELD: Yes.

15 MR. SHELTON: \$1 million for 86,000
16 individuals? \$1 million?

17 MR. STUBBLEFIELD: Well, we're talking about
18 --

19 MR. SHELTON: I'm in. That's a cheap price.

20 MR. STUBBLEFIELD: Well, we're talking about
21 with -- like I said --

22 MR. SHELTON: I thought you were saying 100
23 million.

24 MR. STUBBLEFIELD: -- within SBA, we're --
25 also we're involved with our resource partners.

1 MR. SHELTON: Okay.

2 MR. STUBBLEFIELD: I mean, it's not just --
3 this is not just OVBD and our VBOCs but, you know, the
4 SBDCs, the SCORE folks, and others. It's a true
5 enterprise-type partnership to make this work.

6 MR. FENDER: Alex Fender, Funnel Science.
7 How many respondents did you estimate that started
8 businesses in the last survey? Just a guess is fine.

9 MS. HOOK: Let's see. I think it was
10 something like 360, 380.

11 MR. FENDER: So 350 divided into a million?
12 That's not a bad cost to start a business.

13 MR. SHELTON: Hey, it's Brandon. So I just
14 think -- so, clearly, I don't know enough about this
15 program, my third meeting in on this, so can I make
16 a -- I see your tactic on this, Jim, so I'd like to
17 make a suggestion that in the next meeting -- I want to
18 -- I just want to see the continuum on like one piece
19 of paper, especially -- and I want to use the fact that
20 we're going to go to two -- you know, the mandatory bit
21 for the next fiscal year, I just think somewhere in the
22 balance of calendar year 2019 before we do that, I
23 think it would be great to get an update briefing no
24 different than Mr. Leney coming in on the
25 certification, a bit like, hey, here's the intent and

1 content of Boots to Business, here's what we're
2 measuring onsite, here's what we're measuring
3 afterwards, just so we can see that.

4 I think it's what you're getting from us is
5 that we're exerting great effort in getting a lot of
6 external fanfare for this is a measurement for -- in
7 supporting veteran entrepreneurship through the SBA and
8 partners, but is the -- what's the intent, what's the
9 content, what's the outcomes, and then how are we
10 measuring them. And I think it would be helpful for us
11 as outsiders to see that. Maybe we can get, like, an
12 updated briefing once you guys have worked through all
13 your committees next year, and then maybe like the
14 second March meeting or something like that, we can see
15 it, like, on one piece of paper or something like, aah,
16 that makes sense, now I see what they're trying to do,
17 and I --

18 MR. STUBBLEFIELD: So general Boots to
19 Business overview.

20 MR. SHELTON: But use the fact that you're
21 about to do extra scale.

22 MR. STUBBLEFIELD: Right.

23 MR. SHELTON: You're going through -- you're
24 going to have to adjust the infrastructure. She's
25 adjusting scoring. I mean, there's a bunch of things

1 that will change. I think this committee could
2 actually then weigh in, if I could see it on, like, one
3 piece of paper, like, okay, this is what the outcomes
4 are, this is the intent, this is the content, here's
5 how it will be implemented, and here's -- here's how
6 we're measure it ourselves. I think you'd get more
7 thoughtful advice from this committee --

8 MR. STUBBLEFIELD: Sure.

9 MR. SHELTON: -- if we could see --

10 MR. STUBBLEFIELD: Absolutely.

11 MR. SHELTON: -- the thing in its entirety.

12 MR. STUBBLEFIELD: I think that works with,
13 as I mentioned earlier, about going, you know, through
14 the process, leading up to 1 October. So we'll be
15 doing a lot of that. Well, so, I think it's time for a
16 quick break. And then I believe VA is here now.

17 MR. ZACCHEA: Right, so the time on deck is
18 10:05. I'd like to suggest we break here. Everybody
19 be seated by 10:20, and we'll start. Thanks.

20 (Brief recess.)

21 MR. ZACCHEA: Okay, Mike Zacchea. The time
22 on deck is 10:20. I'd like to get started again. I'd
23 like to introduce Mr. Tom Leney, who is the Executive
24 Director for Small and Veteran Business Programs.
25 Thank you for coming. We're really glad to have you

1 here. And you have a standing invitation. I think
2 that the issue of veteran business certification is an
3 important one, and everybody here is very committed to
4 it, and thank you.

5 Tom, go ahead, please.

6 MR. STUBBLEFIELD: Tom, you've got to turn on
7 your mic.

8 MR. LENEY: With your permission, Mike, I'm
9 going to talk about a couple of other things besides
10 just verification. I'd like to talk about four topics.
11 One is the verification -- update on the current
12 verification program. Secondly, to update you on the
13 federal certification effort that is ongoing. Third,
14 talk about some rather extensive changes in our direct
15 access program that will affect veteran-owned small
16 businesses significantly. And then I'm going to ask
17 for some assistance. There is an "ask" associated with
18 my conversation.

19 So let me talk first of all about the current
20 verification program. As you all are aware, back in
21 June and July, because we had concerns about the
22 security of our VCMS system, we transitioned to a new
23 IT platform. And I want to emphasize, under the old
24 system, there weren't any data breaches; however, that
25 was a seven-year-old proprietary program that every

1 time we got a security scan, they would come up with
2 new issues, vulnerabilities, and we made a
3 determination that rather than trying to keep band-
4 aiding an old system, we would develop a new system.

5 That system was -- also had a second
6 objective, which is to incorporate verification into
7 market research, into providing access to opportunities
8 for veteran-owned small businesses, because one of the
9 very legitimate concerns that I have heard over the
10 time, is a person says, hey, I went through this
11 rigorous verification process, you know, I'm now -- you
12 guys know I'm an owned and controlled firm, I own and
13 control the firm, but what benefit do I get from this?
14 And I will tell you, right now, we have almost 15,000
15 firms in the VIP program, the Veteran First program.

16 Less than 2,000 do business with the VA. The
17 interesting thing, about 6,000 do business across the
18 Federal Government, okay? So one of the key elements
19 of the change in IT system was to set up a situation
20 whereby we can start to link verified firms to
21 opportunities, and I'll talk about that in a minute.

22 So where are we? We have made the -- we made
23 a determination that we needed to transition the
24 system. We had problems transitioning the system.
25 Many of you who have transitioned a major IT system

1 probably are familiar with those kinds of problems, and
2 I don't say that as an excuse; I say that as just a
3 statement of fact. We have worked through those
4 problems. We believe we have identified all of the
5 systemic errors. The number of IT-related issues has
6 dropped dramatically over the last 60 days. And the
7 one thing that we are dealing with right -- there's a
8 couple things we're dealing with right now.

9 One is what I call the overhang, or perhaps
10 the hangover from that transition of firms that got
11 delayed because of the transition. I've taken action
12 to ensure that no firm that is currently verified will
13 be disadvantaged by any delays caused by the
14 verification system. What we've done, I've directed in
15 that regard is I have extended the eligibility period
16 for all firms in VIP, okay, for four months to ensure
17 that nobody -- and I've given instructions -- that no
18 firm expires while they're in process. So we have -- I
19 believe we have -- while I can't guarantee and I was
20 unable to guarantee that we didn't have problems, I am
21 able to guarantee that no firm that's currently in the
22 program is put at risk by any delays.

23 If that should happen anywhere, that would be
24 a big deal to me because that means that some very
25 important guidance that I've put out there in a policy

1 that we have promulgated and we've reached out to all
2 the firms that are in VIP and we've informed them of
3 this on sort of three different fashions, but if
4 anybody's at risk of expiring, that's something that
5 needs to be escalated to me immediately because that's
6 not what we're going to do.

7 The people that are affected or have been
8 affected, obviously, are those new applications, okay?
9 What we have done in the verification program is we
10 have raised the bar. Simultaneously with the
11 application event, we raised the bar on the program.
12 The regulation for the program was that we would, where
13 practical, would complete the verification process once
14 we have received -- had received a complete application
15 within 60 business days.

16 I've changed that bar to saying that our
17 target now is to complete the verification process
18 within what we call 60 application days. And what's
19 the difference? The difference -- on application day,
20 the clock starts with us once you initiate an
21 application, not when your application is complete,
22 because our current My VA verification process, there's
23 a lot of activity that goes on before a completed
24 application. There are processes, you know, small
25 business processes say, and ours used to be come talk

1 to us when your application is complete.

2 But what we discovered as we analyzed our
3 process over the last few years is that the challenge
4 is getting to a complete application. And it doesn't
5 do a veteran-owned small business any good for us to
6 say, oh, sorry, your application is not complete, try
7 again; sorry, your application is still not complete,
8 try again, which was a point of significant
9 frustration.

10 So we now initiate our clock when the
11 application is initiated. It turns off, it stops while
12 we're waiting on a veteran, okay? So if we ask you for
13 a document in order to determine your eligibility, we
14 don't keep the clock running while we give you the --
15 give the firm the opportunity to produce the document.
16 What that's enabled us to do in addition is we now have
17 relaxed the constraint on provision of documents. And
18 we had situations where someone's on vacation in the
19 South of France, and we send them a -- we sent them a
20 note saying, hey, you have to give us this document,
21 you have three days to provide it or we're going to
22 toss you out of the process.

23 When we discussed that with veteran-owned
24 small businesses, as you might imagine, that was not a
25 popular approach. So what I've done is we've started

1 the process upon initiation, much earlier. We've now
2 said, okay, if you're in the South of France, you want
3 to take two weeks to hand the document back, great. We
4 stop the clock, but we don't say you're out of the game
5 because you didn't provide a document on time.

6 By the way, we still have what I call the
7 Gestapo -- we've tried to eliminate what I call the
8 Gestapo messages that says you have to give this
9 document by 11:59 p.m. on this date, because, quite
10 frankly, while we would like you -- firms to be
11 responsive to keep the process going, that's not
12 required. That's had some positive effects and
13 negative effects. The positive effect is we don't
14 screw around with firms that -- where the guy says,
15 hey, I'm doing something else here, okay? I'm running
16 into business, or I'm taking vacation, or whatever
17 you're doing.

18 And it wasn't critical to our success. It
19 does have an impact on the system because for those of
20 you who are aware, we use contractors to do the
21 research and analysis and to engage with the vets. The
22 federal staff does the inherently governmental function
23 of making the final determination.

24 Now, we work on a -- it's piecemeal. The
25 contractor doesn't get paid until they submit a case

1 completion report. Now, you may be -- a case
2 completion report could happen if you're removed; a
3 case completion report happens when you withdraw; a
4 case completion report happens when you get the
5 determination. You can imagine that we have a little
6 divergence in interest between my staff and my
7 contractor because if you, Elijah, say, okay, I'm going
8 to vacation for a while, I'm not going to respond and
9 you are stuck in the process, they don't get paid. And
10 every time they contact you, they do more and more work
11 trying to solicit your completion so we can get to a
12 determination. They're not getting paid for that. So
13 there is an incentive, and you may -- you may have
14 constituent or collaborations or people who hear about,
15 wait a minute, somebody gave me a little bit of hassle
16 about how long I was going to wait, okay?

17 The policy is no one gets thrown out unless
18 they are -- they determine, hey, I'm not going to go
19 forward, but I expect that you will -- there have been
20 instances in talking to veterans where a case analyst
21 was pressing for some response, and I want to just,
22 again, not as an excuse, but to understand how it
23 works, why is that case analyst interested in
24 completing your application, okay? Because you're a
25 cost to our contractor until there's some method of

1 completion.

2 Now, what we let people do -- the other big
3 area -- is we allow people to withdraw. One of the --
4 as a result, historically, over 99 percent of the
5 determinations are approvals. Now, that's not 99
6 percent of the applications that start get to approval
7 because some people lose interest along the way. Why?
8 They say, you know, this is rigorous, and, colleagues,
9 it's rigorous, and that ain't going to change, okay?
10 Because this program gets attacked every single day.

11 How many of you are verified firms? How many
12 of you are verified? Okay, you get attacked every
13 single day by those who say we have people in the
14 program that are not really owned and controlled by
15 veterans. What's that?

16 MR. PHIPPS: Who's doing the attacking? This
17 is Mike Phipps.

18 MR. LENEY: It comes from a variety of
19 sources. Sometimes -- I'm going to speculate, okay?
20 Sometimes it comes from people who just lost an
21 opportunity to somebody who is verified, and they're
22 verified, so we do -- we do see a spike in these
23 accusations every time we make a major contract award.

24 By the way, the system works because we see a
25 tremendous spike in people checking VIP. As soon as we

1 award a contract, there's a spike in how many people go
2 in and look at VIP to make sure that the person who
3 beat them out on a contract is, in fact, verified. And
4 the good news is we very seldom get a report, like, oh
5 -- I think it happened once this year, these guys
6 weren't verified. So some of it may be people who are
7 competitors. Some of it's people who are genuinely
8 interested in the program. They are not particularly
9 interested in the VA, and they would see some utility
10 in, you know, criticizing the program. They tend not
11 to do the kind of rigorous due diligence.

12 I'll give you an example. You've got one to
13 say, hey, this firm has the same phone number as that
14 firm, therefore, you guys are incompetent, how could
15 you possibly verify them? Well, I personally went out
16 on an unannounced site visit in one of those cases, and
17 what you find out is, yeah, you had two firms sharing a
18 receptionist. Hey, you're two small firms, it's good
19 business practice. Were they independent? Were they
20 verifiable? Were they good to go? Yes. But somebody,
21 you know, sends us a screen shot of their website and
22 says, well, these are obviously, you know, fraudulent.
23 So it does come in. Last year we had over 300
24 accusations of fraud.

25 The good news is, given both the rigor of the

1 process and the rigor of our audit process, we had two
2 cases where we said, okay, yeah, there's something
3 wrong. Okay? And one of those was out in Kansas City,
4 and the guy just got sent to prison. Okay?

5 So we've raised the bar. Right now, the
6 average time to an approval is 58 days. Okay? I
7 believe we are continuing to drop that number as we go
8 forward and get through the hangover. And the average
9 time to a denial is 108 days.

10 Now, here's where I am interested in some
11 feedback from you all. The main reason for the
12 difference in time is what I call incremental, minimum
13 necessary approach. We have a thing called a
14 predetermination finding, where once we evaluate an
15 application, we send it out to the applicant and say,
16 hey, we've gone through your application and we found
17 these things make you ineligible. And we give the firm
18 the opportunity to do one of three things. A, fix it,
19 and many do, okay? They adjust their operating
20 agreement, they adjust whatever the issue was. B, they
21 can withdraw, okay, without prejudice. Walk away. All
22 right? And, three, they can move to determination.

23 Now, I frankly do not understand in the last
24 -- in the last month, we had 12 people that went to
25 denial. We're surveying those people because I had no

1 clue as why somebody would go all the way to be having
2 a determination of denial, which means then not
3 eligible to reapply for a year. I talked to three of
4 the firms. Two of them believed that our -- that the
5 regulation is wrong or our interpretation of the
6 regulation is wrong, and they are going to denial so
7 they can appeal to the Office of Hearing and Appeals to
8 the SBA.

9 And I'll tell you flat out, I'm okay with
10 that. I think that's great. If that's why somebody's
11 going to denial, hey, have at it, go appeal to OHA,
12 that regulation is now in place. And what it does for
13 us is the Office of Hearing and Appeals at the SBA,
14 since the regulation on ownership and control as of 1
15 October is an SBA regulation to which we adhere, we're
16 going to get a check. We've gotten our first one back
17 from OHA, and the answer was CVE, you're correct, and
18 they appeal was denied.

19 I expect over the course of the next few
20 months we're going to see a spike in that until firms
21 believe that, okay, you know, CVE still knows what
22 they're doing. The CVE interpretation is the same as
23 the OHA interpretation, and then people will stop
24 appealing.

25 But I want to be very clear. I have no

1 problem at all with somebody appealing to OHA. In
2 fact, I would encourage anybody who thinks, wow, CVE's
3 got it wrong, appeal, and we'll find out. And if we're
4 wrong, then obviously we'll fix it because we will
5 adhere to the OHA interpretation of the regulation,
6 okay, which is one of the reasons we work so closely
7 with Rob Long and his people and the SBA and Ken Dodds
8 to get that thing moved, the appeal process moved over
9 to SBA.

10 For those who think that we were against it,
11 you're wrong. In fact, we were the organization that
12 pushed for that because we thought it doesn't make a
13 whole lot of sense to have a separate appeal process or
14 a separate regulation. But SBA was very, very helpful,
15 and now we have both of those things done.

16 Sir?

17 MR. CRANE: Mr. Loney, Eli Crane. What are
18 the top reasons that people are getting disqualified
19 from getting their certification?

20 MR. LONEY: Almost completely due to control
21 issues, okay? We -- I have -- I don't think we have a
22 situation where somebody wasn't a veteran in the last
23 three years. When I first got here, we had -- some
24 people were fake veterans. That's gone. Ownership,
25 very, very few instances, okay, of -- where people

1 don't own 51 percent. There have been a few. They
2 were anomalies. And usually they are a function of a
3 firm not being very well organized, okay? Because you
4 could start a business and get a registration in a
5 state and start doing business. One of the things that
6 verification does is you got to be a real, live, no-
7 kidding business, you know? And where we run into
8 problems still is control. Things like, you know,
9 membership on the board, split voting on the board,
10 some of those things have been addressed with the
11 change in the evolution of the regulation. We made it
12 a little easier. We provided a little more protection
13 from minority owners. But even with the new SBA
14 regulation, the bar is very high on control. So that's
15 where we see the problem.

16 MR. CRANE: The reason I ask, sir, is because
17 several years ago my company applied, and we ended up
18 just being one of the companies that you talked about
19 just walking away. One of the requirements at the time
20 was that our investors, who were minority investors in
21 the company, would have to submit a lot of their -- a
22 lot of their information and paperwork.

23 MR. LENEY: Yep.

24 MR. CRANE: And we knew that that was -- just
25 because of the nature of our deal --

1 MR. LENEY: Sure.

2 MR. CRANE: -- was going to be impossible.

3 And, so, I guess my question is in my specific case, I
4 own 60 percent of the business.

5 MR. LENEY: Mm-hmm.

6 MR. CRANE: Why is it that that would be a
7 requirement, that your investors would have to submit
8 so much paperwork if you do, in fact, own the majority
9 of your company?

10 MR. LENEY: Some of that has changed, evolved
11 with the new regulation. However, there is still a
12 significant requirement, and to make sure that we've
13 identified all the owners, okay, and to ensure that
14 they are, in fact, owners, so that their ownership
15 status is correct, because what we have found
16 historically, we don't see all the owners, then we
17 don't have the ability to determine if they're exerting
18 some inappropriate level of control.

19 MR. CRANE: I can understand that, but it was
20 actually requesting financials and other, you know,
21 that just seemed over the top, and I knew that the
22 investors that are in my company that have, you know,
23 umbrella companies with, you know, 70, 80 companies in
24 them are not going to submit their --

25 MR. LENEY: I understand.

1 MR. CRANE: -- financials to the SBA. So I
2 just concluded from that, if I'm dealing with it, then
3 I'm sure there's a lot of other veterans dealing with
4 it. And it's just unfortunate, especially if you have
5 a veteran with a real-live business, like we do, you
6 know, that owns the majority of their company and
7 cannot get, you know, veteran-owned-certified.

8 MR. LENEY: Like I say, some of that has
9 changed with the new regulation, so we've eased some of
10 that, but not all of it.

11 MR. HAFER: Eli, I'll second that. This is
12 Evan Hafer from Black Rifle Coffee.

13 MR. LENEY: Yeah.

14 MR. HAFER: I've got private equity and it's
15 about the same percentage as Eli does. There's 112
16 companies associated with minority investment, and
17 that's -- it's a cumbersome process, especially when
18 you've been a veteran entrepreneur and you've gone out
19 and you've successfully raised capital, whether through
20 VC or PE, if they're a successful equity partner, they
21 have a significant amount of detail they have to
22 disclose. And it becomes very cumbersome.

23 MR. LENEY: I tell you, probably the most
24 useful thing I can do is provide -- I'm happy to
25 provide the Advisory Board with a statement of

1 rationale, so we'll put that together, and then we can,
2 you know, happy to discuss that. But rather than doing
3 it sort of off the cuff, I think, you know, this is --
4 this is a -- has been an ongoing issue. It's one that
5 we sought to mitigate with the joint reg. We mitigated
6 some of it, but not all of it. But I'm happy to lay
7 out that rationale for you.

8 MR. CRANE: Thank you, sir. Appreciate that.

9 MR. LENEY: No problem.

10 MR. FENDER: Tom, this is Alex Fender at
11 Funnel Science. I'll second what Eli said and Evan.
12 Funnel Science was previously verified, and we lost our
13 verification, and on the reverification, I lost track
14 of our checklist. I think it was, like, 80 or 88
15 documents, which comprised a folder of like this much
16 (demonstrating). I felt it was overly burdensome. I'm
17 80 percent majority owner of the business, fully
18 control it, and we're asking for documents of a 5
19 percent investor.

20 MR. LENEY: I understand.

21 MR. FENDER: How can a 5 percent owner ever
22 have control of a limited liability corporation, an S
23 corporation, or a C corporation when there's an owner
24 that has 80 percent. Like, I don't understand that
25 rationale. And this has been going on for years now.

1 MR. LENEY: Absolutely.

2 MR. FENDER: So I want to understand that,
3 but I want to get to the point of how do we reduce this
4 burden --

5 MR. LENEY: Mm-hmm.

6 MR. FENDER: -- but I'm in agreement on we
7 need to verify if these vets control the business, but
8 we also have to recognize if I go to Brandon's company
9 and they invest a million dollars into my small
10 business, that he's going to have some control over the
11 million dollars that went into my business.

12 MR. LENEY: Two different things here. So
13 like I said, I think the easiest way to deal with the
14 first question, which is the data question, is we'll --
15 what I'm prepared to do is lay that out in detail and
16 the rationale so we can have like a more useful
17 conversation. Some of that, like I say, has been
18 resolved, but not all of it.

19 On your point, Alexander, it has not been
20 resolved completely. We have sought to protect the
21 equity of minority investors. In fact, Brandon was
22 very helpful in sort of helping us think through some
23 of those protections. But I'll flat out tell you, we
24 have not gotten to a place where if you are a minority
25 investor that you would like to be with a veteran-owned

1 small business. And in our conversations with the SBA,
2 we aren't there. As a business guy, is it where I
3 would like it to be? I will -- I support the rule we
4 have come up with. From a business perspective, I
5 certainly understand this concern, but our challenge is
6 like it or not, this regulation and this law was
7 intended and was promulgated to protect veterans, more
8 than we might expect them to be protected, okay?

9 So, yeah, when I was running a business,
10 there was only one person in the world that would give
11 me a million dollars with no control, my mother. My
12 dad wouldn't, okay? So I get that. But the nature of
13 the law and the nature of the regulation has put us
14 with a very high bar, and it does -- previously, there
15 was no control by a minority investor. Now we've put
16 in some places like rights of first refusal, et cetera,
17 where we've given some protection.

18 But I don't -- you know, absent change in the
19 law, I don't see where we're going to get to where you
20 would like it to be, Alexander, and others might expect
21 it to be in a normal business practice because minority
22 investors want influence. And some minority investors
23 get that influence with 5 percent ownership, and you
24 don't have to have majority ownership in the normal
25 business setting to have a considerable amount of

1 influence.

2 MR. FENDER: But how does that negate that
3 it's still a veteran-owned business? I still have my
4 DD-214, I'm still 80 percent in control, I still sign
5 the checks --

6 MR. LENEY: No, you're 80 percent ownership.

7 MR. FENDER: Yes, 80 percent ownership, but I
8 have the final say in the operating agreement. What
9 does his financials have with me --

10 MR. LENEY: Okay, Alexander, if we can move
11 on, I'm going to -- like I said, I will provide you
12 with a detailed rationale for the documentation and the
13 information thing, okay? In terms of what you're
14 talking about, Alexander, about having minority
15 investors be protected and have influence, that's a
16 different issue.

17 MR. STUBBLEFIELD: Okay, we've got a comment.

18 MR. WONG: Hey, sorry, this is Robb Wong from
19 SBA, with GCBD. We run our 8(a) program and all of our
20 programs for certification. Right, to the point that
21 you're getting to, our job is to make sure for the
22 Federal Government, for the small businesses, that the
23 companies who we certify are who they say they are.
24 I'm coming from an example in working with my first
25 8(a) company since I was 15. I've dedicated my career

1 to this industry.

2 The short answer to your question is what we
3 call in SBA negative control, okay? You made a point
4 that said that if somebody's going to give you a
5 million dollars, they will have control over that
6 million. I have seen -- I have seen numerous times
7 where that \$1 million is the difference between you
8 staying in business and going out of business. I've
9 seen so many times that on the front end you have an
10 agreement with Brandon, right, and Brandon, on its
11 face, is a subcontractor, okay, or he's an investor, 4
12 percent. But the 4 percent is providing you with what
13 we call negative control.

14 And I have seen so many companies in
15 situations -- I'm a lawyer by trade, and I've been in
16 industry. Up until two years, I would sit where you
17 sat, okay? I've run 16 8(a) companies, okay? I know
18 every game there is in this -- I know every trick in
19 this game. And what we're trying to do, in situations
20 like yours, where you're running a company, which is,
21 you know, absolutely compliant, we apologize for the
22 intrusion and the difficulty in getting these documents
23 together, but they're necessary because what happens is
24 we don't get credit for the 99 companies that are
25 certified that allow the Government to rapidly,

1 responsively, and reliably get to the quality solution
2 that they want, despite other competition. We get
3 hammered on the one company that gets through the
4 goalie, the one company that is all of a sudden, this
5 is an illegal company that's getting these contracts,
6 the whole program should be shut down. Okay?

7 I understand your concern and your anger, and
8 it makes us believe that you're running a legitimate
9 company. My experience is I have to say it that way
10 because lots of companies look like yours, and they
11 don't act that way. Okay? So they are necessary, but
12 I will do it to help Tom, because this is new with the
13 ownership and control rule, I'll try to help you --
14 give you at least an orderly way of how we look at
15 negative control, give you some of the examples of why
16 this is necessary, and to the extent possible, what
17 we're trying to make to hopefully take this process
18 over to prepare you for future companies that you'll be
19 dealing with and also how you can operate your company
20 with minimal -- you know, with no headache.

21 MR. STUBBLEFIELD: Let me just say this real
22 quick. If you're not speaking, turn your mic off.

23 MR. CRANE: All right, a question on that
24 real quick. How are you going to -- regardless of how
25 much money an investor puts into a company like mine,

1 how are you going to prove who actually controls it?

2 MR. WONG: So at the end of the day, we have
3 to file -- you know, and this is why we talk about
4 things in the minority, okay? People who are intent on
5 breaking the rules will constantly figure out a way to
6 do that. So it's always set a rule, pivot, and then
7 address the pivot. But in general, for companies, what
8 we -- that's why what we want to be able to see is you
9 could have on its face -- I think you said you had 80
10 percent control in your company?

11 MR. CRANE: My wife and I do. I have 60
12 percent personally.

13 MR. WONG: Okay, so now it's an example.
14 Okay, now, I'm just going to play games a little bit,
15 right, because I'm not adverse to you, okay? If you
16 have 60 and she has 20, there's a question of why would
17 she have 20. Right? I mean, and here's an example of
18 what happens. Oh, maybe she worked with Microsoft, and
19 if we look at your revenues of where you're getting the
20 revenues, maybe you have -- you know, maybe you have a
21 lot of revenue coming from Microsoft, okay? Again,
22 that goes into that negative control type of a thing.

23 There's a thousand different ways to slice
24 this and figure out ways where people are gaming the
25 system, right? We're not saying that all of them are

1 doing it, but we've got to come up with a system that
2 is rapid, reliable, and is really one that is
3 legitimate that also gives us the result that we need,
4 which is a truly certified company.

5 MR. O'FARRELL: Jim O'Farrell. Can I jump in
6 here real quick? So I'm so glad you came before the
7 committee today to offer testimony. What I'd really
8 like to do, Mike Zacchea, is for the next meeting have
9 you make a presentation. I'm very interested in the
10 transition process that you're going to go through with
11 the VA.

12 And just a quick comment on what you just
13 said. You started your comments by saying you've been
14 running a business since you were 15 years old. There
15 are some of us that believe that are veteran business
16 owners and have been through the verification process
17 and the renewal and the renewal and the renewal and
18 have had issues with it over the time that the folks
19 that have been doing the work of the VA are not as
20 competent as you appear to be.

21 And, so, we're looking forward. I personally
22 am looking forward to that transition to the SBA.
23 Maybe the grass won't be as green as I think it will
24 be, but I think there's more professionalism and I look
25 up some of the people that interview me, Mr. Leney,

1 when I call the call center. You can find out a lot of
2 things about people these days. And I go on LinkedIn
3 and I find out one guy was a car dealer or a car
4 salesman in his previous employment before joining the
5 VA as a contractor and now holding my feet to the fire.

6 So I'm hoping that when we get to the SBA
7 you'll be able -- and in our next meeting, maybe you
8 can come before us and tell us what the exact
9 transition plan is that you're going to go through.

10 And while I've got the mic for a second, I do
11 want to ask a couple of questions, so I'll go back over
12 to Mr. Loney, switching out of the verification. So,
13 Mr. Loney, you recently had a conference in New
14 Orleans. How many veteran-owned businesses attended
15 your New Orleans conference?

16 MR. LONEY: About a thousand.

17 MR. O'FARRELL: So you had a thousand out of
18 15,000 that are in the database. How many attended the
19 St. Louis conference a little over a year ago?

20 MR. LONEY: You really can't compare those.

21 MR. O'FARRELL: I asked you a question.
22 Could you answer the question?

23 MR. LONEY: No, I can't.

24 MR. O'FARRELL: How many attended? You
25 can't? You don't have any idea? Was it more?

1 MR. LENEY: Yes, I have an idea, but I'm not
2 going to answer the question.

3 MR. O'FARRELL: Was it more or less, the
4 same?

5 MR. LENEY: It was more. If you'd let me
6 answer the question completely, it might be helpful to
7 the committee.

8 MR. O'FARRELL: Okay. I'll -- I'm awaiting
9 the question and the answer.

10 MR. LENEY: Great.

11 MR. O'FARRELL: Go ahead.

12 MR. LENEY: The event in New Orleans was
13 specific to construction.

14 MR. O'FARRELL: And why was that?

15 MR. LENEY: Because we have \$6 billion in
16 construction spending that we need to do over the next
17 couple of years. We have over 3,000 construction-
18 related projects. Given the fact that we are seeking
19 to provide maximum practicable opportunities for
20 veteran-owned small businesses to get access to that
21 money, we focused the New Orleans event on
22 architecture, engineering, construction, and facility
23 maintenance.

24 We brought 250 VA staff to include the chief
25 of engineering or chiefs of projects from almost every

1 VA medical center to New Orleans. Why? Because it was
2 a lot of real requirements, real opportunities, real
3 money. So we --

4 MR. O'FARRELL: Did you get any feedback from
5 the rest of the community, the other 14,000 that are
6 verified that have gone through the verification
7 process that you should be doing something similar to
8 what you did in St. Louis?

9 MR. LENEY: What a great idea. And,
10 therefore, we are.

11 MR. O'FARRELL: When is that going to be?

12 MR. LENEY: We're having -- we're having it
13 in the end of the second quarter, we will do one for IT
14 services. We will do one for medical services and
15 supplies and professional services, because we did get
16 feedback from people who came to previous events with
17 the fact that while we may have 4,000 people at the
18 event, we only brought 30 construction people, and the
19 150 construction people that came to the St. Louis
20 event said, there's a lot of people here from the VA,
21 but they aren't in my field. I had IT services,
22 program managers, and veterans saying, well, I keep
23 sitting down with people that are not in my business
24 sector.

25 So as a result of that feedback, James, we

1 have broken up the national veterans small business
2 engagement to focus it on particular business sectors.
3 And, currently, I have now the authority to do one
4 for IT services, one for medical services and
5 professional services, and the first one we did,
6 because we had 30 -- we had 3,000 real, live, no-
7 kidding projects with money, we did it with
8 architecture, engineering, construction, and facility
9 maintenance.

10 MR. O'FARRELL: So there is a -- you know,
11 what's driving -- I guess I'm a little bit confused,
12 which isn't the first time, but, you know, having
13 everybody under one tent, more like you did in St.
14 Louis, I've heard a lot of feedback from folks in the
15 veteran community that that was a better way to go.
16 And adding the IT, and adding -- having a tent for, you
17 know, if it's a three-ring circus, why not have all
18 three of those rings in one place as opposed to forcing
19 small businesses to, if they're, say, they're
20 supporting some construction here, some IT here, some
21 professional services here, making them go to three
22 different conferences? And that reaction, by the way,
23 I think is highly unprofessional.

24 MR. LENEY: Well, you know, I apologize if
25 you think that. What I'm chuckling about is the

1 feedback we got was just the opposite, sir.

2 MR. O'FARRELL: And you have that in a
3 survey, in survey data?

4 MR. LENEY: Yes, we have that in a survey.

5 MR. O'FARRELL: Can you bring that to the
6 committee next time? That was another thing. I'm kind
7 of disappointed that I thought when I saw the first
8 slide there you were going to make a presentation to us
9 today, but it seems like --

10 MR. LENEY: I am.

11 MR. O'FARRELL: -- we're just kind of doing
12 off-the-cuff --

13 MR. LENEY: No, I'm making a presentation to
14 you. If you need slides, I'm happy to give you slides,
15 sir.

16 MR. O'FARRELL: I don't need slides, but I
17 thought we were asking you to present information that
18 was a little more --

19 MR. LENEY: Which is what I'm trying to do.

20 MR. O'FARRELL: -- formal. Okay. Okay. Can
21 -- are we done with the -- did you have anything else
22 you'd like to say about the conference question?

23 MR. LENEY: All I'd like to say is we will be
24 doing conferences that are industry-specific based on
25 feedback received from our previous conferences, and

1 the fact that the complexity of the national veterans
2 engagement is very high. Okay? We aren't running a
3 conference. How many of you have been to one?

4 Okay, have you noticed at those things, even
5 with the construction conference, we did 2,500
6 scheduled events in two and a half days. That's
7 complex. And to try to do that across all the
8 communities of interest makes it even more complex.
9 Our goal with this is to enable veteran-owned small
10 businesses to get access to procurement decision-
11 makers. One of the other reasons we did this in New
12 Orleans is that we heard from the veteran-owned small
13 business construction people that they were having to
14 go to two events. One was our event, where we only --
15 where we can only bring a relatively small number of
16 construction people, and the SAME event, the Society of
17 American Military Engineers event, which was heavily
18 attended by DOD, particularly the Corps of Engineers.

19 The Corps of Engineers used to send 40 or 50
20 people to our event. They no longer could sustain that
21 because they were putting their emphasis on the SAME
22 event. So in an effort to help veteran-owned small
23 businesses expand their access to economic
24 opportunities, rather than merely focusing on the VA,
25 we collaborated with the Society of American Military

1 Engineers to hold a collocated event, where somebody
2 could go to both and they could get access to the 200
3 DOD procurement decision-makers that were present.

4 So contrary to what you think, sir, we are
5 attempting to improve the level of access and improve
6 the benefit to veteran-owned small business, and that
7 becomes the basis for our decision-making. So,
8 frankly, I resent the assumption that we would be doing
9 something else.

10 MR. O'FARRELL: Okay.

11 MR. LENEY: So I hope my clarification helps
12 you.

13 MR. O'FARRELL: Thanks for your
14 clarification. I surveyed some of the veterans that
15 are in the network that I roll in, and they had the
16 following questions, if I could offer them up to the
17 committee and to you, Mr. Leney.

18 The U.S. Supreme Court, in its Kingdomware
19 decision, opined that Veterans First applies to "all VA
20 contract actions." Does VA policy state this, that
21 this includes purchases under the simplified
22 acquisition threshold as well as micropurchases?

23 MR. LENEY: It applies to everything above
24 the micropurchase limit. In fact, the Small Business
25 Act states that all procurements under the simplified

1 acquisition threshold will go to small businesses. We
2 apply the rule of two, and under 8127, to all
3 acquisition actions over the micropurchase limit.

4 We do not currently apply the rule of two to
5 micropurchase actions because micropurchase actions are
6 not competitive procurements, and we don't have the
7 visibility there intended to enable a program officer
8 to obtain things quickly and easily. But everything
9 above the \$3,500 limit or now the \$10,000 limit for
10 certain items, is -- the rule of two is applied.

11 MR. O'FARRELL: What mechanisms does VA have
12 in place to ensure compliance with Kingdomware, and who
13 in the VA's responsible for ensuring the compliance.
14 It's a two-part question.

15 MR. LENEY: We have a number of mechanisms in
16 place. One is the normal acquisition review process.
17 Secondly, my office has put into place a procurement
18 review policy, whereby everything above the simplified
19 acquisition are -- the simplified acquisition threshold
20 that is in NAICS codes for historically veteran-owned
21 small businesses have done business with the VA, my
22 office reviews.

23 My offices does not have the authority to
24 approve or disapprove procurements; however, we have
25 the authority to concur or nonconcur. And when my

1 office nonconcurrs with a procurement action, it goes
2 back to the contracting officer and requires a senior
3 executive's sign-off to say this -- notwithstanding the
4 OSDBU nonconcurrence, this procurement is of such -- so
5 essential to our mission we're going to move forward
6 without setting it aside.

7 My office examines the market research that's
8 done in the preparation for the procurement, and based
9 on the quality of the market research makes its
10 concurrence or nonconcurrence decision.

11 The ultimate decision authority in all cases
12 is the head of contracting activity.

13 MR. O'FARRELL: Thank you.

14 MR. LENEY: Now, by the way, I'm here. I'm
15 happy to engage here. I had a set of things to go
16 through in the briefing, but I'm more interested in
17 answering your concerns. That's -- by the way, James,
18 that's a very legitimate concern, and I appreciate that
19 question.

20 MR. SHELTON: So it's Brandon. Hey, Tom. So
21 Brandon Shelton, TFX Capital. That was a fun ten
22 minutes. We're all veterans here, let's remember that,
23 especially the week of the Army-Navy game. So I will
24 tell you this as the lone investor on this panel,
25 equity investor, I don't deal with debt at all, I can

1 tell you, Tom and his team moved heaven and earth over
2 the last 24 months, and, my goodness, that's how long
3 it took just to get an inkling of the rule changes that
4 went through. And I can tell you, Tom, I appreciate
5 you and your leadership to do that.

6 I come from the non-government contracting
7 side, so, Jim and Mike, you guys can hammer away on all
8 that stuff. I will tell you that the majority of
9 veteran-owned businesses in the United States do not
10 serve the State or Federal Government. Okay? So
11 that's what I care most about. Eli, you don't sell to
12 the Federal Government, unless you got some weird Seal
13 Team thing you're doing. So my point is is that Tom's
14 rules, they fall short. So you're right, Alex and Eli,
15 you're exactly right. So I can't invest.

16 Now, Sean, you know from Bunker Labs is
17 across the country, is that the vast majority of the
18 startups that we're dealing with are not product
19 companies; they're more like Alex's company, software
20 companies. And, so, it doesn't really come up in those
21 conferences, I'll tell you. So one of the things I've
22 challenged Tom and I hope in this committee is there's
23 a whole ecosystem of veteran entrepreneurship stuff
24 going on that is totally oblivious to VBOCs, SBA, VA --
25 like, they don't even want to deal with it. And I

1 don't know if that's indicated in that Federal Reserve
2 report and those other -- CNAS is now working on a
3 report. I told you our group is working on the report.
4 So what I'm saying is is that the rules are better for
5 equity investors, but I've been on hour's call with my
6 attorneys, and Tom was gracious enough to put Beth and
7 some of this attorneys on late nights, trying to just
8 wrestle around, because they're exactly right.
9 Unfortunately, most of the rules are built towards
10 ding-dongs who skirt the system. Okay, so you have to
11 index for the worst player possible, which to your
12 point, Eli, like common sense is you control your
13 company. Even if I invested in you, you'd say thank
14 you so much, but no offense, I'm not telling him what
15 to do on a daily basis, like there's no way that would
16 happen into like three or four years.

17 The other pit that we're looking at is more
18 and more veteran-owned businesses we believe -- we
19 don't have data on this -- regardless of their
20 participation rates -- is that they're going to be
21 technology-focused. Technology startups or tech-
22 enabled service startups that don't have the cash flow
23 capability right out of the gate, like a product, need
24 equity-type capital, not debt, because debt is -- no
25 bank is going to lend you because you don't have 25K of

1 revenue and you haven't been open for a year.

2 I mean, so you only can launch equity-type
3 capitals, and that's angel investors, that's venture
4 capital firms and stuff like that. And that's where --
5 I mean, I think the rules are better, but what I would
6 encourage us for this committee, Tom, is that it be a -
7 - like, what's phase two? How can we, over the next 24
8 months, work to continue to open up the thresholds
9 where we protect the status, right, but more and more
10 veteran-owned businesses that do business away from the
11 Federal Government and state governments are going to
12 be more technology-like, and they're going to take more
13 equity-type capital. This problem will continue to
14 grow.

15 And I'll give you one last example. The
16 reason I even as an investor stumbled into this, I
17 worked off the same assumption of 51 percent, it's not
18 as simple as that for the government contractor types.
19 It's way more complex. And the reason was a Fortune 50
20 company said, oh, you want to do business with this
21 technology startup I was about to invest in, give me
22 your VA certification because they had the diversity
23 supplier person, and he wanted credit for having a
24 veteran supplier. I couldn't provide it. And he's
25 like, and we don't qualify either because we have

1 equity investors, and those were the old rules. So I
2 just -- a couple examples there.

3 I just wanted to -- for the record talk about
4 the nongovernment contracting space. Let's make this
5 like phase one, Tom. Maybe we can get to phase two
6 over the next 24 months with our support. But I just
7 want to recognize your leadership for you and your team
8 getting us to this point.

9 MR. LENEY: Before I pass the mic to Robb, a
10 couple of things. One, about less than -- far less
11 than 1 percent of the veteran-owned small businesses in
12 this country do business with the Federal Government,
13 okay? So you're absolutely correct.

14 Are we where we need to be in terms of
15 enabling veterans to get access to equity capital? No.
16 Do veterans -- one of the -- for those of you who have
17 been in business, one of your main challenges is
18 capital, right, and how do you get it. And as a small
19 business, if you go to the bank, that's not a very good
20 way to do it. I was in a small business where I was
21 having to deal with the -- I won't call them loan
22 sharks. They were the -- well, they were close to loan
23 sharks, okay? So I am not only sympathetic but
24 empathetic to that.

25 The -- we've done two things. One, the

1 ownership and control reg is -- was negotiated with
2 SBA. It is now an SBA regulation. The second thing is
3 in terms of this ownership and control piece, okay, and
4 I'll separate that again from the documentation piece,
5 because there is some things that we might be able to
6 do in documentation, but on the ownership and control
7 piece, that's going to get decided by the Office of
8 Hearing and Appeals based on the current regulation.
9 That's why you heard me at the beginning of this I have
10 no problem with firms going to denial if they're doing
11 so in order to get a determination by the Office of
12 Hearing and Appeals, did we interpret the regulation
13 right? Because I have an interest in making sure we
14 get that interpretation correct. Okay?

15 My goal is not to throw obstacles in the
16 way of veteran-owned small businesses, but now I've
17 been doing this for seven years, and I've spent a lot
18 of time talking to the people on the Hill who built
19 this regulation, talking to veteran-owned small
20 business groups who thought they helped build this
21 regulation, okay, and the law, and there is an element
22 of seeking perhaps to be overly protective of a
23 veteran. Not to -- the law is not built around frauds.
24 And I got good news for you, the vast majority of the
25 15,000 firms in VIP are not frauds. They are

1 legitimate. We go out. Last year, we did 400
2 unannounced site visits. We had less than 2 percent
3 where we discovered a problem.

4 So the vast -- and one of the -- and why do
5 we do this, because to provide credibility to this
6 socioeconomic group and to fit it into to -- going back
7 to your question, James, into federal certification,
8 okay? My goal, and the goal of the VA, is to make sure
9 that in order to do business with the Federal
10 Government, all firms have to meet the same standards,
11 as opposed to the set of firms that self-certify versus
12 the firms that want to do business with the VA or FAA
13 who have to go through a verification process.

14 So we have taken actions. We're happy to
15 come and give a briefing. I was prepared to walk you
16 through the actions we've taken to date and where we're
17 going, but that is where the SBA and the VA are headed.
18 It's part of the President's management agenda, his
19 modernization plan. We in the VA are all for it.
20 While I disagree with you, sir, about the level of
21 competence in CVE, I am 100 percent supportive of
22 moving this over to the SBA, okay? As long as the
23 standards apply across the Federal Government to all
24 SDVOSBs.

25 And we put these standards in place to make

1 sure that the SDVOSB socioeconomic category is the
2 category of choice because they become the least risky
3 category. The more information we can provide to a
4 program manager or a contracting officer about the
5 SDVOSBs, the less perceived risk there will be in doing
6 business because the ugly reality is, the default is if
7 you're a small business and if you're an SDVOSB, people
8 aren't predisposed to do business with you. Okay?
9 Because you are perceived as high-risk. And anything
10 we can do to mitigate that perception of risk benefits
11 to the veteran-owned small business community.

12 And that's been my focus, is how can I help
13 mitigate that risk, because it doesn't do any good to
14 beat up a program manager or a medical center director
15 who's trying to take care of veterans and tell them,
16 hey, you got to go work with somebody that you don't
17 trust, that you don't know, has not got demonstrated
18 capabilities to help you perform your mission, because
19 I will tell you flat out, every medical center director
20 that I've talked to, and I've talked to a bunch of
21 them, their focus is on the patients that walk through
22 their door, and if the veteran-owned small business can
23 add value to that mission, they're happy to deal with
24 them. But the default is not there.

25 So, yeah, that's one of the reasons for the

1 veteran-owned small business. Wow, this is a very
2 rigorous process, but when I talk to our program
3 managers and contracting officers, it helps mitigate
4 that perceived risk. They say, wow, these people went
5 through a rigorous process, so they have a higher level
6 of trust, even though the ownership and control has got
7 nothing to do with capability to perform on a
8 particular project.

9 MR. ZACCHEA: Tom, this is Mike Zacchea. All
10 right, so I just want to mention a couple of things
11 that you mentioned here. So one about perceived risk
12 and doing business, that I can attest to, I agree with
13 you there. It's about risk management versus reward.
14 So I think that -- I understand that this is a slice of
15 the overall veteran business ecosystem, and we're
16 trying to get a -- you have, I think, two constituents
17 really that you're trying to -- between the Federal
18 Government or the VA specifically, where you're
19 protecting their exposure, but also encouraging
20 veterans to both start and access these opportunities.

21 So it's a difficult -- there's tension there.
22 There's always going to be a tension. But I think that
23 we can work together on that because I think that's
24 really important. This is an area where there's been
25 tremendous, I think, change, even in the last three

1 years or so. So there's bound to be these kinds of
2 tensions, and we're trying to work out these boundaries
3 that we're running up against as this whole ecosystem
4 changes. And, so, I think that your point is well
5 made, and I appreciate that.

6 And, yeah, I would like to extend an
7 invitation to you for future meetings to come and brief
8 us about that because we'd like to be partners with the
9 CVE on these issues.

10 MR. LENEY: So I think we owe you two
11 briefings at the next meeting. One is a briefing of
12 the -- what the new regulation says, and I will defer
13 to the SBA, though I want to be very clear that this
14 new regulation was done in collaboration. We made --
15 both sides ended up, as is always the case whenever you
16 collaborate, making some compromises, but I think it
17 would be useful to brief you in detail upon what the
18 new regulation says and what changes have occurred from
19 the old regulation. There have been some changes.

20 Secondly, I think -- I'm prepared to give you
21 an outline view of what has been done to move toward
22 federal certification. And we can give you a more
23 detailed -- we made a lot of progress in that regard.
24 I believe that in FY2020 we will get there. It does --
25 to give you the high points, it does require

1 legislation, okay? There has been a House bill
2 introduced to push toward federal certification. We've
3 been working on regulations, policies, processes, to
4 make that happen under the expectation that it will be
5 a law at some point.

6 But as you can imagine, it involves budgets,
7 you know, giving the SBA money it currently doesn't
8 have and that sort of thing. So it's -- many of these
9 things are not intentioned, but they require balance.

10 The other thing I will provide for the
11 record, and I don't mean to -- and the goal will be
12 transparent. We will provide you the statistics for
13 both this year's meeting in New Orleans and last year's
14 meeting on the number of veterans who applied. I will
15 say one thing. I was -- I have been extremely
16 disappointed in the turnout of VOSBs at these events.
17 We had a real benefit in New Orleans because by
18 collocating, we had over 500 firms that were -- had
19 signed up to the small business event for SAME cross
20 over and attend ours, but that was -- you could sign up
21 for one and attend both. Actually, it was about 700.
22 More people crossed over than signed up.

23 MR. ZACCHEA: I think -- and, so, I have not
24 been to that one, but I've been to a bunch of these
25 things around the country, and I think there are some

1 opportunities there. The last thing I want to say --

2 MR. LENEY: But let me just state for the
3 record here what the problem is. When the VA brings
4 250 procurement decision-makers to New Orleans and
5 spends that kind of money, and there are 500 VOSBs
6 there, it is very difficult for me to justify that kind
7 of an expense to my leadership, at a ratio of two to
8 one. I'm here to tell you, the VOSBs in that arena
9 that were there were pretty happy, because they got a
10 lot of face time with people who were making
11 requirements decisions, but from an enterprise
12 perspective, it's very difficult to justify.

13 Therefore, one of the things I want to brief
14 you on is we're changing the game. We are now -- we've
15 established a VAMC program where we'll be doing 50 to
16 60 events in FY19 in the medical centers, because the
17 people that we have difficulty getting to these small
18 business events are people that work in medical centers
19 because the directors are hesitant to release them from
20 their day-to-day duties of patient care. We are
21 looking to change the -- include a lot of construction
22 there because we realize there's a fundamental flaw in
23 our model, which is that many of the small business
24 construction opportunities are local, and a guy says I
25 want to do -- I want to paint the hallway in this

1 medical center in Hartford, I won't want to go all the
2 way to New Orleans to talk to the guy about painting
3 the hallway, I get that, so we have -- based on
4 feedback, we got from people who did not attend New
5 Orleans, we are seeking now to change our model, and we
6 are constantly evaluating our model based on survey
7 results, based on discussions with veteran-owned small
8 businesses, and our own procurement decision-makers to
9 figure out what's the best way to connect these small
10 businesses with the VA procurement decision-makers.

11 MR. PHIPPS: This is Mike Phipps. I've been
12 trying to talk for about 20 minutes. All right, so I'm
13 not going to ask for some of the answers right now,
14 Tom. I just wanted to just cover a few things.

15 One, could you look at why a contractor is
16 motivated on completing an application, which is going
17 against the way a veteran is getting certified in the
18 business application and maybe making that contract
19 more in tune with the service and not having that
20 opposite pole occurring because the contractor is
21 motivated to basically screw the veteran over in the
22 certification process. And I understand that's --
23 there's procurement issues that are involved in that,
24 but that just might be --

25 MR. LENEY: Yeah, could you restate that?

1 I'm not sure I understand.

2 MR. PHIPPS: Okay, so, you had mentioned that
3 the contractor that's responsible for the certification
4 process is evaluated on how many contractors or how
5 many veteran-owned businesses they close, so they're
6 motivated to close more cases of certification, right?

7 MR. LENEY: Okay.

8 MR. PHIPPS: So if we don't motivate that
9 contractor in that way, right, we motivate him more on
10 the customer service, then he is not -- then that
11 contractor or that contracting company is not pressed
12 to close out a case.

13 MR. LENEY: The quick answer to your
14 question, the only place that it really -- the
15 motivation to close out a case is to move a case to
16 stagnant, where no action is happening. We evaluate
17 our contractor on the basis -- on the evaluation
18 criteria, his customer service, and I want to be
19 crystal clear, no contractor makes any decision. Every
20 single application that gets to determination is
21 reviewed by a federal staffperson. And if the federal
22 staffperson determines that the contractor reached an
23 erroneous conclusion, it gets kicked back to the
24 contractor and they don't get paid. In fact, if it's
25 kicked back, they get decremented on what they do get

1 paid.

2 So the only reason I mentioned the issue of
3 wanting to close out cases is that you had -- we run
4 into problems with cases that are stagnant for a very
5 long period of time. I understand, when somebody
6 decides to withdraw from the process, we would like you
7 to notify us, yeah, I'm no longer interested. But,
8 however, I understand that when you decide to walk
9 away, ain't a whole lot of energy around them when it
10 tells the CD I'm walking away, I'm just going to walk
11 away.

12 MR. PHIPPS: And, so, that was motivated
13 because -- in the last meeting, and I think we had a
14 phone conversation, the help desk, when they didn't get
15 information, was actually recycling and dropping people
16 out of the process, and so that 60-day time period was
17 not really 60 days, it was because the help desk simply
18 was recycling applications, and we have multiple
19 contractors that we didn't know about in our last
20 meeting come out and start to ask that question,
21 because that was occurring, and I think you have fixed
22 that since, if -- right?

23 MR. LENEY: Yes, I believe we have. So I'm
24 anxious to --

25 MR. PHIPPS: I think you had mentioned that

1 you had gone through that and that is no longer
2 occurring, which is great.

3 A couple -- I'm very interested in this
4 micro-threshold purchase and the rule of two, because
5 even though the \$3,500 and the \$10,000 perspective,
6 depending on what kind of contract it is, there are
7 billions of dollars at stake there. And, so, what we
8 would like to see is what is the dollar amount below
9 the micro-threshold purchase agreement that goes into
10 the VA budget, because at one point, there were --
11 there had been -- you know, that number was in the
12 several billions of dollars, and I don't if that was on
13 a yearly basis or cumulative, but we would just like to
14 see what that number is on a yearly basis from the VA.

15 MR. LENEY: I can provide -- that number is
16 in the billions, with a B. What I will do, though, is
17 provide that back to you in writing because obviously
18 the acquisition community would like to make sure that
19 I'm getting that right.

20 MR. PHIPPS: And one more thing. This
21 committee --

22 MR. LENEY: And by the way, there are a lot
23 of VOSB who survive on micropurchases, probably in the
24 hundreds of firms that --

25 MR. PHIPPS: Absolutely.

1 MR. LENEY: -- make their living via the
2 micropurchase program. And it is an intent by the VA
3 to reduce the amount of micropurchase because as you
4 can imagine, when you buy stuff \$3,500 at a time, when
5 you run the biggest healthcare system in the country,
6 the -- we're not getting good pricing.

7 So that is -- that is a challenge, and a lot
8 of -- our efforts to -- our efforts to be good sort of
9 to respect the taxpayer and to take care of our
10 veterans and make our money go as far as it can, the VA
11 is seeking to reduce this micropurchase level from
12 billions -- plural -- and that will have an effect on
13 VOSBs, especially those who are living off of
14 micropurchases and have been doing so for years, and
15 one of the points of discussion and, frankly, debate
16 within the VA is how do we balance the need to be
17 better stewards of the taxpayer dollar because I have
18 heard credible information that says our price per
19 patient for medical supplies is 25 percent higher than
20 the commercial world. You can't compete in that kind
21 of a situation.

22 A significant dimension of that is
23 micropurchases. But what my office is engaged with is
24 how do we reduce this micropurchase issue but not --
25 but mitigate the adverse effect on small businesses.

1 How do we enable them to continue to play where, you
2 know, it's like we can get to this maximum practical
3 event. But, yes, I will -- I take as much information
4 I can to give you that number.

5 MR. ZACCHEA: Tom, more coming from Robb
6 Wong.

7 MR. WONG: No, I'm okay.

8 MR. PHIPPS: And, so, just one last comment.
9 We, as a committee, even though we might not like a
10 certain rule that the VA has on certification, we at
11 the committee can take a look at those certifications
12 and make recommendations to Congress, the White House,
13 and the SBA and the VA on some of those things that
14 Brandon is working on on all those possible changes.

15 So I would like to see some of that because,
16 you know, those are -- rules can change, and things can
17 get easier for the certification process, which is why
18 it would be really good to know who's attacking the
19 program, a little less anecdotally and more
20 statistically so we can see who it is we're talking --
21 you know, who it is -- who really is attacking the
22 program. Is it -- are we talking about people on the
23 Hill? So we can address that as a committee and see,
24 okay, are those the chairman attacks and maybe even
25 address some of that in some of our recommendations.

1 MR. LENEY: And we welcome that. By the way,
2 I just remind everybody that when we did the change in
3 regulation, as per many change in regulations, it went
4 out in the Federal Register for public comment. And we
5 addressed those public comments -- or SBA addressed
6 those public comments. But we in the VA would welcome
7 any input from the committee on further regulation
8 changes.

9 And I am precluded to a significant degree
10 from telling you about the who for privacy purposes,
11 okay? One of the things that we have started is a
12 program when someone's being accused of being
13 ineligible, letting them know that they've had an
14 accusation. But I am precluded from revealing -- most
15 of these accusations, 98 percent come from other
16 veteran-owned small businesses or private sector.

17 MR. ZACCHEA: Tom, I really thank you for
18 coming here and speaking, but just in the interest of
19 time, we need to move on to the next topic. You're
20 welcome back to our next meeting. I think that --

21 MR. LENEY: I'm happy for you to move on.
22 I'm also happy to be here to answer whatever issues and
23 questions you all have. That's why I come.

24 MR. ZACCHEA: No, thank you. And I think
25 that this is the beginning of a dialogue, and that's

1 what my hope is.

2 MR. LENEY: Right.

3 MR. ZACCHEA: So let's ask John and Dan next
4 up, please.

5 (Discussion off the record.)

6 MR. STUBBLEFIELD: Okay, we're going to move
7 here real quickly to cap access and I guess we're going
8 to have to go through this kind of quickly if you will.

9 MR. UPHAM: Oh, you're not cheating us.

10 MR. STUBBLEFIELD: Well, you'll be on the
11 public comment period here soon.

12 MR. MILLER: All right, we'll move quickly.

13 Good morning. My name is John Miller. I'm the Deputy
14 Associate Administrator for the Office of Capital
15 Access, and I report to William Manger, who is the
16 Associate Administrator. And both of us work
17 tirelessly for Linda McMahon to make capital available
18 to small businesses, and we do this through our capital
19 access programs. Our mission is to make capital
20 available to small businesses who would otherwise be
21 unable to obtain it and otherwise unable to access
22 capital to either start or expand a business through
23 conventional terms or conventional loans.

24 In other words, we help reassure lenders on
25 loans that they would not make without our programs.

1 We don't want to compete with the banking industry, but
2 we are here to offer guarantees. And we are not a
3 direct lender. That's important to note. We cannot go
4 out and identify borrowers directly who we will make a
5 loan to, lend money through other lending partners,
6 which are banks, credit unions, certified development
7 companies, and nonprofit lending intermediaries. So
8 not being a direct lender, we can influence, but we
9 can't direct lend to our small business borrowers.

10 We have -- we influence by a number of ways.
11 We have an intense network of field offices, district
12 offices with trained lender relation specialists, and
13 they reach out to our lenders and train our lenders on
14 our programs and are continually marketing our programs
15 throughout the United States. We also have a network
16 of network partners across the United States, about
17 1,800, and these are small business development
18 centers, women's business centers, VBOCs, SCORE
19 chapters that provide free, individual, face-to-face or
20 internet counseling for small businesses.

21 Let me move on and talk about our activity
22 for the fiscal year, which ended September 30th, 2018.
23 Our largest program is the 7(a) program.

24 And, Larry, how much time do we have? I'm
25 sorry? Keep going? Okay.

1 Well, the 7(a) program is our largest, and in
2 Fiscal Year 2018, we lent around \$25 million,
3 guaranteed loans with a principal balance of \$25
4 billion. That is slightly below where we ended 2017,
5 so I noticed a slight slowdown in lending. We think
6 this is due to lenders offering conventional credit,
7 expanding their credit box, offering more conventional
8 credit in areas that before they used our guarantee to
9 supplement.

10 For 504 lending, this is our second largest
11 program, and this is mainly for construction or
12 purchase of building or fixed assets. And this program
13 was down 5 percent in 2018 over 2017. It was lower --
14 far lower during the year, and it had been down over 15
15 percent. But because it offers a fixed rate instrument
16 with interest rates increasing throughout the summer,
17 we realized that it quickly picked up and ending the
18 year only down 5 percent.

19 Next slide, please.

20 Our small loans, we struggle with small loan
21 lending because the -- for a lot of our lenders, they
22 look at the larger loans as more profitable. They
23 would look at a small loan and state that it takes --
24 uses about the same amount of work administratively to
25 put a small loan on the books as a large loan. So

1 while we market and try to incent small loan lending,
2 unfortunately we were down about 6 percent for loans,
3 up to \$150,000 last year over 2017. And then around --
4 just slightly higher for loans \$150,000 to \$350,000.

5 Next.

6 Veteran lending declined 5 percent in 2018
7 from 2017. You'll see that 2015 was a tremendous
8 spike. We had a lot of fee waivers to provide, and
9 fee waivers being one of the ways we were able to
10 influence lenders and small business borrowers, so we
11 waived fees for veterans, low applicants, in all -- in
12 our 7(a) program in all loan sizes. And also waived
13 the lender fee. And what that allowed was a tremendous
14 amount of lending to veterans in 2015. Unfortunately,
15 the fees -- we have to keep these programs at zero
16 subsidy. Both 7(a) and 504 are -- there's no taxpayer
17 subsidy to run these programs. Well, not to run. The
18 administrative cost is subsidized, but the programs
19 themselves, the losses from the programs are covered by
20 the fees that the programs generate. And, so, as we've
21 gone through the years, that the amount of fee waiver
22 available, the amount of subsidy that we could turn
23 into fee waiver, has been steadily decreasing. I would
24 note, though, that in 2018, we are still higher by 40
25 percent over where we were in 2014.

1 And, now, I'm going to turn it over to Dan to
2 talk about the Mission programs.

3 MR. UPHAM: Thanks, John. My name's Dan
4 Upham. I'm the Acting Director for our Office of
5 Economic Opportunity, and I'm Chief for the Micro-
6 Enterprise Development Division within the Office of
7 Cap Access. In talking about our Mission lending
8 programs, you know, John mentioned our 7(a) and our
9 504, those are obviously our flagship programs. They
10 do billions of dollars of guarantees.

11 The programs that my office manages are
12 smaller. The Community Advantage loan program, which
13 is Mission-based lenders, nonprofit lenders having
14 access to the 7(a) guarantees to do loans -- guarantees
15 on loans up to \$250,000, so a much smaller loan size.
16 And the Microloan program, in which we have nonprofit
17 and intermediary lenders, in that case, SBA is actually
18 making a direct loan to those intermediary lenders who
19 in turn use the money we lend to them to relend to
20 small businesses in amounts up to \$50,000.

21 With the Microloan program, an important
22 distinction there is that it's not just lending dollars
23 to small businesses, but it's also a combination of
24 lending and training and technical assistance. The
25 intermediaries, as part of the program, must provide

1 both training and technical assistance along with the
2 small dollar amounts of capital. And over the last
3 couple of years, those programs have seen managed
4 growth in the neighborhood of 10 percent per year.
5 From 2017 to 2018, that growth trend has continued.

6 And being smaller dollar loans, they seem to
7 be a better fit to a large degree in terms of our
8 lending to veterans, and we've seen that trend continue
9 or at least been very stable over the last couple of
10 years, that these small-dollar loan programs in terms
11 of the percentage of what's going out program-wide, a
12 larger percentage is going to veterans with these
13 lending programs.

14 Next slide.

15 So just a little bit here on what the dollar
16 volumes look like. Instead of, you know, looking at
17 loan volumes in the billions, the Microloan Program,
18 we're -- obviously it's a smaller program, much smaller
19 loans going to the small businesses, but as I
20 mentioned, we are seeing, you know, some managed year-
21 over-year growth in those programs.

22 And while in -- if you look at the very
23 bottom of the slide, the veteran lending slide for the
24 Microloan Program, we did a few less, I think, four or
25 five less microloans. We actually did additional

1 dollar volume in veteran lending last year.

2 Next slide.

3 And this slide, if you all actually want to
4 make some notes on this slide, there are a couple
5 things, unfortunately, that got left off when we had to
6 publish the slides last week. Where we're talking
7 about the second bullet point, borrower fees reduced
8 from 2 percent down to .67 percent, and lender fees
9 reduced from .55 to 0. These are on loans of \$150,000
10 and less. And they're also on loans that are located
11 in rural and HUBZone. If your veteran-owned small
12 business meets those criteria, then obviously they
13 would also get this fee relief. And then the top
14 bullet point there in terms of fee relief, veteran-
15 owned businesses pay no fees on the express loans.
16 Right, and those are up to \$350,000.

17 A final point in terms of our prepared
18 comments is on Lender Match. This is a tool provided
19 by the Office of Cap Access. It's a tool that enables
20 a small business through the sba.gov website to enter
21 some basic information about the business and about
22 what their borrowing and other needs might be. And it
23 allows our lenders to, you know, enter their
24 information into this system, and it matches what the
25 lender is looking for with what the needs of the

1 business are, allowing those two to become connected.

2 The program has been tremendously successful
3 in terms of the number of matches that it has been able
4 to make. Unfortunately, we don't keep statistics on
5 the number of loans that are completed as a result of
6 those matches, but we do know that there are a lot of
7 those matches taking place.

8 And, so, you know, in any of the outreach
9 activities, with veterans groups that might need access
10 to capital, we urge that you direct them to the sba.gov
11 page and specifically to the Lender Match application
12 on the webpage, as that will be their best chance to
13 get connected with an SBA resource that can meet their
14 needs.

15 MR. FENDER: Alex Fender at Funnel Science.
16 How long has the page for the Lender Match been down?
17 It's currently down right now.

18 MR. UPHAM: I wasn't aware that it was down.

19 MR. FENDER: Gotcha. I really like your
20 analytics in your graphs here. The last time we
21 talked, six months ago, I asked about the top reasons
22 for denials. Have you all started collecting that data
23 yet?

24 MR. UPHAM: Denials on the 7(a) loans?

25 MR. FENDER: Yeah.

1 MR. UPHAM: Specifically to veteran?

2 MR. FENDER: Yeah.

3 MR. UPHAM: I don't believe so.

4 MR. FENDER: At what point can the SBA start
5 collecting that data on why they're getting denied, you
6 know, total applications and the denials?

7 MR. MILLER: I'm not sure that we can. I
8 mean, we'd have to go through probably a PRA, a
9 Paperwork Reduction Act, but we'll take that under
10 consideration. So denials on vet -- how veterans are
11 getting denied in our loan programs?

12 MR. FENDER: Yeah.

13 MR. MILLER: Because we are -- since we
14 aren't a direct lender, we don't see the vast majority
15 of the loan applications. They're actually denied at
16 our lenders. And we -- so we don't -- we don't have
17 access to any of the information. It would be -- for
18 example, I'm just going to grab a bank, you know, First
19 National Bank, would decline the loan. We don't -- we
20 would never see the information. We only receive the
21 apps that come in.

22 MR. FENDER: But that's where it fits in.
23 Let's say that this bank has a 99 percent reject rate
24 on veteran-owned businesses. They're still on the
25 Lender Match. Why would they stay in the Lender Match?

1 MR. MILLER: That --

2 MR. FENDER: But you can't answer that
3 question because you don't know.

4 MR. MILLER: Right.

5 MR. FENDER: Because you're not collecting
6 the data.

7 MR. MILLER: We're not collecting it.

8 MR. FENDER: So that's why we need to collect
9 it, because what happens in regular commerce with loans
10 is, you know, if the majority of people that apply for
11 loans don't get them. It's the minority of the people
12 that get approved for them. So the majority here are
13 getting rejected, so one of the things that SBA does is
14 it does Boots to Business, promotes education, does the
15 VBOCs, does the SBDC, SCORE, promote the education. If
16 you could promote the education on what's causing you
17 to not get the funding, they could train on that, it
18 would be extremely beneficial and helpful to those
19 businesses. But without that data, you can't tell them
20 what's going on or why they're getting rejected or what
21 they need to do to prepare for it so they don't get
22 rejected.

23 MR. STUBBLEFIELD: Well, you know, Alex, I'll
24 just say this real quick, that -- you know, there's a
25 discussion on the reason for rejections in the report

1 that we're talking about. And this is something that
2 we're going to take on that I was talking earlier
3 about, you know, possibly having a subcommittee so we
4 can dig down deeper into that, so you're absolutely
5 right, but it's addressing that in that report.

6 MR. SHELTON: It's Brandon Shelton. So I
7 guess a question on the reporting data piece as well.
8 When the banks do report back to you on the, you know,
9 loans that are extended, do they give you any
10 indication of type of business that they run? So what
11 I'm hunting for specifically is that the analysis that
12 you're showing trends, very helpful. Is it mainly
13 government contractors are the ones that are getting
14 the loans and applying for the loans, so there's -- you
15 know, do they report anything like that so we can look
16 a little bit beyond?

17 MR. MILLER: Are you talking about the
18 type --

19 MR. SHELTON: The type of business, the
20 veteran business, right?

21 MR. O'FARRELL: The industry there?

22 MR. SHELTON: Or even industry. I just -- I
23 mean, that's --

24 MR. MILLER: Yeah, we have industry codes on
25 the type of businesses that are getting loans, yes,

1 definitely. The details --

2 MR. SHELTON: Is one of those -- oh, sorry to
3 interrupt. Is one of those industry codes, like, I'm a
4 government contractor and providing contract services
5 to a government agency?

6 MR. MILLER: Yes, there would be a segment
7 on, I'm sure, very detailed numbers. North American
8 Industry Classification System.

9 MR. SHELTON: Yeah, NAICS.

10 MR. MILLER: N A I C S. Whatever you see
11 there --

12 MR. SHELTON: Mm-hmm. Right, but does the
13 NAICS code -- the NAICS code, it's going to say 54161
14 is -- 541611 is management and consulting services.
15 It's not going to say government -- I'm not trying to
16 create and make work, I just think this --

17 MR. O'FARRELL: No, I know.

18 MR. SHELTON: I just think this --

19 MR. O'FARRELL: I agree with you, Brandon.

20 MR. SHELTON: Yeah, no, I understand, but for
21 you guys, like, I just think that for us to react to
22 the data that you're providing, yeah, if we can get
23 more data, like Alex is saying, great, take that on,
24 Larry, I just think -- I would want to know in like a
25 subanalysis in terms of, okay, this many loans, year to

1 date, you know, types of loans, this many went to
2 nongovernment contracting businesses, and this many
3 went to government contracting businesses, and this
4 many went to businesses that do both or something like
5 that. That would help us understand, like, where is
6 the need, where are we -- are we using these dollars
7 effectively versus what's -- you know what I'm saying,
8 like I can't beyond it --

9 MR. ZACCHEA: Just more breakdown of the --

10 MR. SHELTON: Only if it's shareable. I
11 don't want to create work and put a congressional thing
12 out there and all that stuff.

13 MR. UPHAM: I know right now that we are -- I
14 mean, we are collecting the NAICS codes on those loans
15 that get approved. If the NAICS codes themselves don't
16 allow us to break it down as far as you want to go, you
17 know, I don't think there's anything in the works at
18 this point to request additional data that would allow
19 us to do what you're asking.

20 MR. ZACCHEA: Mike Zacchea. Even the NAICS
21 codes would be helpful.

22 MR. UPHAM: Yeah.

23 MR. ZACCHEA: Right, yeah. If there's that
24 kind of granularity, I think that would provide --

25 MR. UPHAM: Yeah.

1 MR. ZACCHEA: -- illuminate this.

2 MR. UPHAM: Yep.

3 MR. LOWDER: Let me -- if I can say something
4 here, Dan and John. I came all the way from Chicago
5 just to talk to you guys today. I'm a Vietnam veteran.

6 MR. O'FARRELL: Say your name.

7 MR. LOWDER: Sorry?

8 MR. O'FARRELL: Say your name.

9 MR. LOWDER: Lynn Lowder, Veteran Business
10 Project. Stood up a 501(c)(3) about five years ago to
11 address one simple issue that we believe is the major
12 impediment preventing veterans from getting into small
13 businesses. We know post-World War II, right, we had
14 29 percent; now it's about 7 percent. Post-World War
15 II, the Fed was a guarantor, all right? George Bailey
16 in It's a Wonderful Life, it's that time of the year,
17 George Bailey in the Community Bank Store is long gone.
18 Community banking has changed.

19 The real need, the real need, the people that
20 deserve the opportunity to be in business, I think more
21 than anybody else, is the young enlisted machine-
22 gunners, the young enlisted folks that put their life
23 on the line, they don't have a dime. I'm a downstate
24 Illinois hick, a lot of people from my town go in the
25 military. They don't have a dime coming in. They

1 rarely have a dime coming out. They don't have any
2 credit score, but they got grit, they got great skill
3 sets, they're hard workers, and they want a shot. But
4 they can't get a shot because banks aren't lending.

5 Now, today, we got about 200,000 veterans a
6 year coming out, and we know statistically about 25
7 percent of them would go into business if they could.
8 I reckon that it's probably more than that, actually.
9 And when you get to be my age -- I'm 72 -- I look back
10 and I -- you know, I'm an expert at kicking myself in
11 the hind end.

12 My wife always tells me, though, my wife of
13 50 years, she said, yeah, but if you had of made those
14 right calls, would you be where you're at now in terms
15 of your point of view, and, of course, that's not the
16 case. It's this. You get to be in your seventies, and
17 maybe even before then if you're smarter, and this
18 whole thing about equity kicks into your head.

19 And, so, the reason I stood this business up,
20 this 501(c)(3), is to get the veteran to say, hey, hey,
21 hey, listen, 49 percent of the guys in World War II did
22 it after World War II, you can do it, too. It's not
23 for everybody, but you got the smarts and the guts and
24 the grit to get it done.

25 And if you got in business for yourself,

1 rather than building it for the man, built it for
2 yourself, build it for your family, and down the road,
3 retirement doesn't look like, you know, that's way, way
4 out in the distance when you're in your twenties,
5 right? And then now you're in your seventies. And I
6 wish I would have started a Subway in Naperville,
7 Illinois. I wish I would have built a business for my
8 family, because then I got equity. And then I can sell
9 it.

10 So this is the urgency and what we're doing
11 and what I do, so what do we end up doing? Well, we
12 attach the GI Bill to put it back to what it originally
13 was, which was full employment, didn't -- it didn't
14 deify college over anything or trades over anything,
15 but if you wanted to buy a farm or business property,
16 the Fed would be a 50 percent loan guarantor, up to a
17 certain amount. That changed.

18 Today, so a young machine-gunner's got to go
19 out and try and borrow money. We thought, well, maybe
20 we could go to Capitol Hill, God bless George Sharp.
21 He's been knocking on doors with us saying maybe they
22 could -- just maybe they could cash in on a chunk of
23 what's about \$182,000 on average, you know, your
24 educational benefit. But I found out that there's
25 people on Capitol Hill that really don't care that much

1 about all that. Some do, but a lot don't.

2 So that's a long pull, and this community
3 here is working on that. What else do we do? I'm a
4 special operations guy from my Vietnam years, two ways
5 in, two ways out. We found a wonderful Senator in
6 Illinois. Her name is Jennifer Bertino Tarrant. We
7 passed a law, Illinois Senate Bill 324, so the veterans
8 could get a loan guarantee in Illinois to start their
9 business, and we have our first deal coming down the
10 road right now. \$1.2 million buy/sell of a restaurant.
11 An Army captain, airborne guy, two tours in combat, is
12 going to take over this iconic restaurant. Revenues
13 last year were \$3.5 million. It's selling for \$1.2
14 million. The dirt alone is worth \$1.5, right? And the
15 way it works is Illinois is shoving \$400,000 across the
16 table; Community Bank has come up with \$600,000, right?
17 Illinois is subordinated lender, but you know what, we
18 went out and got that law passed that any kind of
19 community bank, they want the veteran to have skin in
20 the game, skin in the game.

21 So, you know, the only way we're going to
22 make it happen is the lender, who happens to -- or the
23 owner, who happens to be a veteran, is going to take
24 back a \$300,000 note. So I've got some work to do.

25 And Missouri, we got the law passed in

1 Missouri. Illinois has got \$5 million to lend;
2 Missouri has got 421. And, man, they want to lend, in
3 their link deposit program.

4 So we're -- my challenge is I'm going state
5 by state by state by state to get these federal loan
6 guarantee programs passed. This afternoon, I'm in
7 front of the legislators, and I'm going to make my
8 pitch. It was good enough post-World War II; it ought
9 to be good enough now. Here's the challenge we've got.
10 We've got to come down off the standard lending
11 profile, the credit profile for these borrowers.
12 They'll never make it. A young kid will never make \$1,
13 you know, equity for \$3 he's borrowing from you in the
14 programs you guys have or the banks in general.

15 So I'm going to be making this a case here
16 for this committee. We have got to find a way around
17 this. It didn't happen that way in World War II, and
18 those veterans got a shot and they crushed it. They
19 did a great job. Will some default? Sure. Well, my
20 guess is more won't. But we're never going to get
21 where we need to get to, and thank you guys for what
22 you're doing to get money out the door for these
23 veterans, but the ones that are getting marginalized
24 and shoved off the side are the \$100,000, the \$150,000,
25 the \$200,000, these young enlisted and officers will

1 never -- the junior officers are never going to make
2 it. They're never going to make it. But if you guys,
3 if we were able through your influence to get somebody
4 to say how can we ratchet this down to a level that
5 would be reasonable, reasonable is, you know,
6 reasonable to some people may be different, but we got
7 to do better for these young -- for these young folks
8 particularly. They serve one term, most of them. They
9 go and they sacrifice, they hang it all out. We'll
10 give tens of thousands of dollars to a kid going to
11 college, no credit score, no collateral, right, but a
12 veteran who has actually served this country, taken an
13 oath -- sorry, pal, we got nothing for you.
14 Something's terribly wrong with that.

15 But if the SBA made a move in that direction
16 by your programs and what you would guarantee and you
17 changed all that, we could make some things happen. So
18 I'm just kind of giving you where I'm going to --
19 because I'm going to dump this in the lap of Larry and
20 Mike and this committee and say could we please, please
21 approach this because I -- from where I'm sitting, this
22 is the only thing that matters.

23 Boots to Business is great. We got all these
24 ways to train people, but if we can't get these kids
25 money to start a business, and we've got a cross-check,

1 a due diligence process at the federal and state level
2 that didn't even exist in World War III, and the only
3 reason we did it was to try and make the bankers more
4 comfortable. They got to take the Boots to Business
5 program. They got the Army discharge. They got to
6 have a business plan. They got to shark tank the
7 committee to -- the plan to a committee and so forth.
8 And if they get it, they get a mentor for a year. We
9 put all that in there, right? None of that existed
10 post-World War II, not a dime of it, not any of it.

11 So if you guys could put your thinker-uppers
12 up to work on that, I would really appreciate it
13 because we need the help of the SBA, and I'm going to
14 ask for help. This is what I say in the field. I run
15 into these people every doggone day. We got a lot of
16 kids that want a shot but they'll never get a shot
17 unless we get -- unless we get this lending criteria
18 saying ratchet it down to a reasonable -- to a more
19 reasonable level for them, just like they did in World
20 War II, just like they did in World War II. So if you
21 guys got something, take that away, please, and I'll
22 give you my number, and I'd be interested in anything
23 you would have to say and I'm going to ask this
24 committee to please wade into this. It's so long
25 overdue. Does that make sense?

1 MR. MILLER: It certainly does, Mr. Lowder,
2 and thank you for your comment. We have the Microloan
3 program. Unfortunately, it only goes up to \$50,000,
4 but that -- when somebody says to me that veterans come
5 back and they start a business with high interest
6 credit card debt because they can't get a loan through
7 a bank --

8 MR. LOWDER: Yep.

9 MR. MILLER: That's where I say Microloan
10 program. The nonprofit intermediaries are not banks.
11 And we don't tell them how to lend.

12 MR. LOWDER: Right.

13 MR. MILLER: And they provide startup
14 technical assistance and post-loan technical assistance
15 to help the -- to help these folks get into business
16 and stay into business. And they're very successful at
17 it.

18 MR. LOWDER: Can you bump it up to about 150?
19 Because we could do -- you know what, fellows, if we
20 could do that, you would have most of them. Really,
21 you would. You'd have most of them.

22 MR. UPHAM: Yeah, right now, the \$50,000
23 limit on microloans is a statutory limit --

24 MR. LOWDER: Yeah.

25 MR. UPHAM: -- so it would require an act of

1 Congress. You know, and it's ratcheted up over time.
2 I think when the program came out in '92, it was
3 \$15,000, jumped up to \$25-, \$35-, \$50.

4 MR. LOWDER: Incrementally going up.

5 MR. UPHAM: So it has gone up, but, you know,
6 but convincing the legislators to go from \$50,000 to
7 \$150,000 in that program --

8 MR. LOWDER: Right.

9 MR. UPHAM: -- probably a stretch.

10 MR. LOWDER: If we convinced you guys to do
11 it, it would be an easier sell over there. Would you
12 think on it?

13 MR. UPHAM: Absolutely.

14 MR. LOWDER: See what we could do? We can do
15 some good business together and get these kids in
16 business. They'll make you proud. They'll make you
17 proud. They will.

18 MR. UPHAM: Fair enough?

19 MR. STUBBLEFIELD: Fair enough.

20 MR. LOWDER: Thanks, guys. Appreciate you
21 all for coming over.

22 MR. STUBBLEFIELD: Well, thank you, Cap
23 Access. Thank you, Lynn. You're on the record for
24 that. And, you know, from time to time, we do get, you
25 know, a chance to talk to members of Congress and

1 staffers. They always ask what do we need, what can we
2 do to make things better. And, so, this is one of the
3 things that we can definitely take back in that regard.

4 Okay, we're running behind a little bit, but
5 we're at the public comment period, and we have some
6 folks here that want to go on the record, if you will.
7 So thank you very much, Cap Access, John and Dan.

8 MR. ZACCHEA: Just to remind you, press the
9 button with the face on it, it will turn red, and then
10 state your name, and then you can speak.

11 MR. NEIWEEM: Thank you, Mr. Chairman,
12 members of the committee, for this opportunity to give
13 public comments, and it was a very informative session
14 today, so I'll get going here.

15 I'm Chris Neiweem, I'm a principal at Next
16 Veterans. I'm an Iraq veteran, small business owner,
17 and our national politics writer. I'm going to read a
18 letter by Dr. Eric Hannel, who was not able to attend
19 today, so I'll be reading that letter in his absence.
20 He served as the Staff Director on the Subcommittee on
21 Oversight and Investigations in the House Veteran
22 Affairs Committee from January 2001 [sic] to 2016. And
23 the letter begins here.

24 During my tenure as a Staff Director of the
25 Subcommittee on Oversight and Investigations for the

1 House Committee on Veteran Affairs, I received numerous
2 reports of Veteran Entrepreneurs being mistreated by VA
3 employees, including verbal abuse during management
4 engagements, theft of intellectual property, and abuse
5 of contracts by illegal manipulation or the over-
6 extension of scope, services, and periods of
7 performance agreed to by the contract. The Veteran
8 Entrepreneurs reported that they tolerated such
9 mistreatment because of their commitment to fellow
10 veterans, because of fear of retaliation in the form of
11 damaged reputation through negative performance
12 reporting, to threats that the entrepreneur would never
13 again be eligible for future contracts, and because the
14 entrepreneurs were unable to afford the costs of
15 litigation, especially when compared to VA's
16 unrestricted resources provided by taxpayers.

17 The House Committee on Veteran Affairs
18 investigated and substantiated such mistreatment, held
19 numerous hearings, and also pursued legislative fixes
20 to stop or prevent the abuse of Veteran Entrepreneurs
21 by VA, yet the exploitation continued from one
22 administration to the next.

23 For example, in 2012, VA was called before
24 Congress for abusing conference and travel spending and
25 ordered to put their annual 11,000 business cases for

1 such expenditures under tight processing and accounting
2 controls. The Veteran Entrepreneur who was eventually
3 recruited to fix the enterprise-wide weaknesses, Dr.
4 David Paschane, who had already established a
5 reputation for fixing VA problems using advanced
6 analytics, as noted in Computerworld Magazine in June
7 of 2013. Although Dr. Paschane made incredible
8 improvements to VA's capability for conference
9 management, the department abused him. VA employees
10 changed contract terms without disclosure, extensively
11 expanded the scope without equitable adjustment, and
12 used false claims to terminate the contract after
13 stealing the software, the latter fact documented by VA
14 itself and copy is available by request. Dr. Paschane
15 was severely injured financially, and he had to lay off
16 employees to whom he owes significant debts.

17 Given VA's longstanding pattern of abusing
18 Veteran Entrepreneurs, including Dr. Paschane, the
19 department's apathy in correcting such abhorrent
20 behavior and the lack of objective advocacy available
21 to such vital business owners, is SBA capable of taking
22 a leadership role in ending these well documented
23 abuses and establishing a reliable service using rules,
24 legislation, and oversight to prevent such abuses in
25 the future?

1 Respectfully submitted, Dr. Eric Hannel.

2 That concludes the letter.

3 In the interest of time, because we're over,
4 just make the remarks brief. Some of this has been
5 featured in recent media, cable, certainly print news.
6 So there's more attention to this. I think with a new
7 Congress, still a divided Government, it's always a
8 great time to fix veteran issues, and this is such a
9 great committee to help work on these issues. So thank
10 you for that time, and thank you for allowing me to
11 read that letter. And I believe we have two more
12 speakers.

13 MR. RUSSOM: Good morning, everyone. My name
14 is Emanuel Russom. Just want to say thank you to the
15 Chair and to the committee for allowing me to speak. I
16 am a former employee of Aplin Labs and was mentored by
17 Dr. David Paschane in the National Eagle Scout
18 Association and can testify to his incredible
19 leadership and, you know, he has influenced me
20 tremendously with his humility and incredible
21 determination. So I honor him for that and I honor you
22 all for letting me speak today.

23 So I'll be reading statements by Curtis
24 Warren. He's a former Aplin Labs employee, and I'll
25 jump right into it.

1 Curtis says, Thank you to the Chair and
2 Committee members of the Advisory Committee on Veterans
3 Business Affairs, of the United States Small Business
4 Administration.

5 My name is Curtis Warren, and I'm a former
6 employee of Aplin Labs. My employment with Aplin Labs
7 ended when the United States Department of Veteran
8 Affairs, or VA, terminated the Aplin Labs contract,
9 which is titled EMAP, the same name of the software
10 that Dr. Paschane built.

11 I have known Dr. Paschane since 2005. He was
12 my mentor when I was a patient at Walter Reed Army
13 Hospital. He helped me readjust to civilian life and
14 establish my professional career. Several years later,
15 I unfortunately used deadly force to defend my life and
16 home and was imprisoned for over six years. Dr.
17 Paschane not only helped me process out of prison, he
18 hired me to work for Aplin Labs.

19 When I started working for Aplin Labs as a
20 project manager, I saw that the VA was abusing Dr.
21 Paschane. They not only stole his software and refused
22 to pay him for out of scope work, they made up bogus
23 complaints by which to terminate his contract. Despite
24 his ensuing bankruptcy, Dr. Paschane made sure I was
25 paid, and helped me find my next job. He even came to

1 my house and helped me move furniture and reestablish
2 my family.

3 I know VA is a big bureaucracy, and difficult
4 to control, but the abuse of veteran entrepreneurs is a
5 problem for the whole federal government. The military
6 encourages us to lead in our civilian lives, and when
7 we step up to start a business and hire other veterans,
8 the last thing we expect is to experience abuse by VA.
9 We may not have the legal acumen to challenge VA, but
10 we know lack of integrity and fairness when we see it.

11 With the support of all Americans who believe
12 in fair treatment of our military veterans, I ask you
13 to help us stop the abuse that VA employees can inflict
14 on veteran entrepreneurs. I also ask that you help me
15 advocate for Dr. Paschane to be made whole after the
16 abuse he has faced at the hands of VA employees.

17 Thank you, signed Curtis Warren.

18 Thank you.

19 MR. PASCHANE: Good afternoon. My letter has
20 been submitted for the record, those letters, as well
21 as a letter from Craig Genteman --

22 MR. ZACCHEA: Name, please.

23 MR. PASCHANE: Oh, I'm sorry, my name is
24 David Paschane. The letters have been submitted.
25 Craig Gentemen also submitted a letter, too. He works

1 for Congressman Hultgren.

2 I'm not going to repeat what you just heard.
3 I'm just going to add a few points. So 25 years ago, I
4 separated as a Army veteran, as a Army medic, and
5 committed myself to fixing the experience of veterans.
6 And ended up getting my Ph.D., studying bureaucracy,
7 organizational technologies. Put a lot of my own R&D
8 money into those kind of technologies.

9 When I went to the VA on a fellowship, I was
10 asked to stay on by political appointees. I stayed on,
11 and it's in the record that they used my technology.
12 Willingly, I allowed them to use it for contractors who
13 would come in to fix problems. We fixed a number of
14 things, including things that had to do with
15 disability, the largest economic outcome study for
16 veterans, GreenIT. And after putting in almost ten
17 years, I thought, well, okay, now is the time for me to
18 leave and go ahead and take the work I've done and
19 commercialize it. I intended to work on M&As and other
20 investment firms.

21 But then there was the scandal with the
22 travel, and I knew that one of my technologies would be
23 appropriate, and one of the executives asked me to go
24 ahead and participate, and I did. It turned out that
25 the corruption at the VA is -- it's a hard thing to get

1 around. I was surprised to find an email where a
2 senior executive said they were going to take my
3 technology, reverse engineer it, and use it themselves.
4 That same executive left the VA and has been selling VA
5 property commercially and is under investigation.

6 Meanwhile, the employees who were involved in
7 my project have gotten themselves promoted. They've
8 used my contract in a way that was very abusive. Those
9 of you who do contracting with the Government know that
10 if you have a contract for \$250,000, it can't be one
11 year unlimited software programming. That's nearly
12 impossible, but that's how they interpreted it.

13 There was no contracting officer for seven
14 months. There was no one to appeal to. I wrote a
15 letter to every single senior person at the VA I knew,
16 and they kept pushing it back to the same contracting
17 officer who was abusing me. She then put up some bogus
18 complaints and decided to terminate me. I never knew
19 that this was a problem at the VA, except I did know
20 from Dr. Hannel that he was investigating it.

21 And it's just like when I had a TBI, the best
22 thing about having a TBI, it made me sympathetic to my
23 other veterans who have had TBIs. Now that I've been
24 abused by the VA as a veteran entrepreneur, it makes me
25 sympathetic to the problem they face. And I'm going to

1 continue to fight that, and I've joined Next Veterans
2 as an effort to try to make veterans whole. I don't
3 think I will be made whole, but I will continue to
4 fight on this. Thank you.

5 MR. ZACCHEA: Okay, thank you.

6 Any other -- yes, Joe, please.

7 MR. WYNN: Okay, Joe Wynn, Air Force veteran,
8 member of Veterans Entrepreneurship Task Force,
9 Director of the Veterans Enterprise Training and
10 Services Group here in DC, and longtime advocate and
11 supporter of this committee, this advisory committee,
12 and other initiatives to promote the increase of
13 contracting opportunities for veterans.

14 I just wanted to, you know, just make a few
15 comments since, like I say, I have been coming here for
16 a number of years. First of all, this has been a good
17 session today. Of the number of sessions that I've
18 been to here over the years in this room, this has been
19 a good session. A lot of dialogue, people had a chance
20 to really express their views.

21 A couple of comments about some of the things
22 I heard. One of the things that still tends to bother
23 me over the years, when we keep hearing about capable
24 and qualified veteran-owned businesses, why we can't
25 find enough, why agencies keep using that as an excuse

1 for not giving out more contract awards to veteran-
2 owned businesses.

3 We started down this path in 1999. Here
4 we're at 2018, we're still talking about 3 percent
5 minimum mandatory goal for service-disabled vets. A
6 few agencies have -- you know, they're hitting the 3
7 percent and they're waving the flag like they did a big
8 deal. That's not it. That's not -- we're not there,
9 okay?

10 We've got to, you know, work together
11 through these types of committees to actually impact
12 some real change and not spend time year to year
13 enjoying each others' conversation, okay? At the end
14 of the year, you submit a report, where does the --
15 where does the -- let me watch my language. Where does
16 the report go, and what happens after the report gets
17 submitted?

18 No real changes, okay? So I'm just asking
19 the committee, representatives who are here, veteran
20 business owners, agency representatives, to really give
21 some significant thought to our purpose of even having
22 this committee and the Interagency Task Force. We were
23 trying to find some ways to increase contracting
24 opportunities for veterans and service-disabled
25 veterans, particularly in the federal marketplace.

1 Now, if that's not really happening, we're not serving
2 the purpose. We're not meeting the goal. We're not
3 accomplishing the mission. Okay?

4 One of the things I noticed when we have
5 these debates and discussions back and forth with
6 agency representatives about what's not happening
7 within the system, it's a nice conversation, but those
8 agency representatives have no authority to really make
9 those changes. If you recall, this whole program and
10 everything we've been pushing for and that we have made
11 some headway on came through legislation.

12 This committee was created through
13 legislation. The 3 percent mandate was legislation.
14 The guy just sat here and said we can't go over \$50,000
15 because of legislation. So we need to be focusing our
16 game plan on how to hit these members of Congress and
17 change -- make the changes that we really need to be
18 made, because, otherwise, we're just spending our time
19 having nice discussion, okay? So, you know, that's my
20 point on that.

21 The other thing, too, is also still this
22 verification thing with the VA, we're pushing so long
23 to try to get -- we were bothered about the process at
24 the VA, oh, let's get it to SBA. So we finally, after
25 several years now, have moved the needle over, moved

1 the game over to the SBA, but SBA is saying, oh, we
2 don't really have the money to do it. So we'll do it,
3 but we don't have the money to do it. So then, in
4 essence, that means we're not going to do it.

5 So even though you're talking about using the
6 regulations to -- as the process of verifying veterans
7 instead of it being under the VA regs, now you're
8 saying you're using the SBA regs, we still can't go
9 federal-wide because they're saying we don't have the
10 funding to do it. But guess what, back to the
11 legislation, if we change the legislation and it's
12 mandated that it be done that way, it'll be done that
13 way.

14 Now, many of you who are here, you know how
15 this legislative process works, you know? Oftentimes,
16 it's a matter of just getting to know certain
17 congressional members, going collectively on the Hill,
18 letting them know what needs to be done, because they
19 don't always know. They need to hear from us, they
20 need to hear from committees like you what changes
21 really need to be made legislatively in order to move
22 the whole process forward. So perhaps we can -- you
23 know, the committee will take into consideration some
24 way to get some groups of us back on the Hill some more
25 to see if we can make some changes.

1 The other thing, too, just a quick comment on
2 the number of veteran-owned businesses who are verified
3 in the VA database, it's still puzzling to me how
4 you're -- we keep hearing these numbers from Tom. Now
5 it's up to 15,000 in the database, but only 2,000 are
6 doing business with the VA. That, to me, is a serious
7 problem with something. I mean, why do you go through
8 all these changes to get verified and then the VA still
9 won't do business with you? I mean, something's wrong
10 with that picture, right?

11 And then this -- the whole notion of
12 protecting us from ourselves, I mean, come on now, this
13 man is a capable, qualified, legitimate, veteran-owned
14 business owner, and because of the strategies he's
15 using to fund his operation, you're going to deny him
16 the benefit that he rightly deserves. That's not
17 right. That's got to be changed.

18 So, anyway, I just wanted to make a couple of
19 those comments. There's a whole lot more I could talk
20 about, but like I said, we don't want to just, you
21 know, come here and have, you know, these kinds of
22 discussions. We want to try to look at ways to make
23 some serious changes, and I believe we're just going to
24 have to get together more often and march on the Hill.
25 Thank you.

1 MR. O'FARRELL: Can I just respond to your
2 questions? This is Jim O'Farrell.

3 MR. WYNN: Okay, sure.

4 MR. O'FARRELL: So, Mr. Phipps and I were
5 just talking, actually, today and yesterday about going
6 back up to the Hill. I just want to let you know that
7 when we both joined the committee four years ago, we
8 were told there would be no meetings in between
9 meetings, there'd be no communication. The only time
10 we would be -- three meetings only; the fourth was a
11 bonus if you choose to do it, you, the committee. So
12 we -- and we -- yeah, and we've chosen to do it.

13 And then little by little, we've just
14 basically broken the rules and broken the rules and
15 broken the rules, to the point where we are -- I just
16 couldn't agree with you more about doing what we need
17 to do with that report, because where does that report
18 go if we don't do anything with it? You just said it,
19 Joe. It goes -- it goes in the shitcan.

20 MR. PHIPPS: Well, the note that I just took
21 on that is we should require the SBA to report back to
22 us on what actions they took based on our
23 recommendations. We haven't done that.

24 MR. O'FARRELL: Right, exactly.

25 MR. PHIPPS: And it just popped in my head --

1 MR. O'FARRELL: Yeah.

2 MR. PHIPPS: -- as Joe's talking, because,
3 Joe, we have made some really -- all the things that
4 happen with Tom now, all these rules, all these things
5 he's claiming as victories, all happened in the last 90
6 days --

7 MR. O'FARRELL: Right.

8 MR. PHIPPS: -- because 90 days ago, the VA
9 came and reported to us that 60 days is the period of
10 time that it takes a vet -- and we've been hearing that
11 for two, three years.

12 MR. O'FARRELL: Right.

13 MR. PHIPPS: But we started circulating that
14 in our own circles, and all of a sudden, all of these
15 companies start coming out and saying, yeah, 60 days,
16 but they're just recycling us in the help desk queue.

17 MR. O'FARRELL: Yeah.

18 MR. PHIPPS: Right? And, so, we had a call,
19 and to Tom's credit, he did take some actions to do
20 that, but it's not -- Tom is not the VA, right?
21 There's a whole other -- I mean, it's the second
22 largest --

23 MR. ZACCHEA: Mike, ladies and gentlemen,
24 just real quick --

25 MR. O'FARRELL: Mike, let me just make --

1 MR. ZACCHEA: -- so Larry has to leave, and
2 Lynn and I are going to have to leave in -- so first --

3 MR. O'FARRELL: Can we -- I just want to make
4 one final comment, Mike, if I could.

5 MR. ZACCHEA: Okay, go ahead.

6 MR. O'FARRELL: I'm so sorry, I got to do
7 this. So one of the things that goes through, and I
8 really appreciate the comments from our commercial-
9 focus companies here today that are on the committee
10 because, you know, it occurred to me in your comment
11 earlier that this benefits -- whether it's through
12 Google search or how it's helping your business -- it
13 benefits -- being VA-verified benefits those that are
14 in the commercial sector.

15 So I just want to ask a question. Do you
16 happen to know, because I know you swim in circles of,
17 you know, lots of veteran companies, and you interact
18 with the VA on a regular basis. Do you have in your
19 mind the percentage of effort that's being spent by Tom
20 Leney's office on verification versus advocacy across
21 the community, because my thinking is that the -- like,
22 we're spending way too much energy on the verification
23 side, and that's why you only have 2,000 companies that
24 are doing work in the VA, and maybe an additional 4,000
25 that are doing it across the federal --

1 MR. WYNN: Yeah, well, you know, the Center
2 for Veterans Enterprise, when the legislation, when the
3 program first started, that was supposed to be the role
4 of Leney's office. And they have just totally changed
5 it to the center for evaluation -- verification and
6 evaluation. And, so, more and more veterans are
7 getting fewer and fewer assistance with actually
8 learning how to do business in the federal marketplace.

9 So, yeah, it's been too much -- we've spent a
10 lot of energy on this verification piece with the VA.
11 We have made or caused to have made a lot of
12 significant changes, but -- and like I said, we even
13 pushed for it to the point where let's get it out of
14 the VA, but now here we are kind of in a quandary in
15 the mix of, okay, VA is ready to hand it off; the SBA
16 is saying, okay, but we don't have enough money. So
17 where are we going to end up?

18 The bottom line is if you got a process -- a
19 verification process that still is challenging for
20 legitimate businesses to get approved and then is still
21 not going to help them increase their bottom line, we
22 got to be looking at that whole programming process
23 about some real changes, because we don't want to just
24 have hurdles and barriers just for the sake of having
25 them. And like I said, that thing just bothers me when

1 you're trying to weed out the one, you're going to also
2 knock out ten other good ones. You know, you got to
3 come up with a better process than that. Mm-hmm.

4 MR. ZACCHEA: And I can speak to --

5 MR. LOWDER: I didn't mean to interrupt.
6 Just the good doctor over here, and two people came in
7 and told about this story, where's this going? What's
8 happening here? I heard this story where he got
9 knocked out of the box. Are we here to do something?
10 Or what's -- what are we doing here?

11 MR. O'FARRELL: I would like to make -- if I
12 can -- I'd really like -- this is Jim O'Farrell again.
13 I'd like to make a motion that the committee at least
14 consider the inclusion of this story as an addendum,
15 but also we make a recommendation to the SBA, to the
16 Hill, to the White House, that they include the
17 investigations that have been done so far and we make a
18 recommendation that we want to dig deeper into this.
19 And whoever the new chairman is at the end of the day
20 today that they pick up the mantle so that Mr.
21 Paschane's case -- he didn't just come here and got to
22 tell his story and we don't do anything after that.

23 MR. ZACCHEA: So -- I'm sorry, go ahead,
24 David.

25 DR. PASCHANE: This is David Paschane. I

1 just wanted to clarify. Tom Leney's office has known
2 about my case for over a year and a half, has never
3 done anything, and the White House knows about the
4 case. It's been sent to the White House, and the VA
5 was asked by Congressman Hultgren to investigate it
6 about five months ago, and there's been no response
7 from the VA.

8 MR. PHIPPS: Has SBA assisted you in any way?
9 Have you gone to the SBA and asked for assistance?

10 DR. PASCHANE: No, sir. I don't know if
11 there's an ombudsman or somebody I can turn to, but
12 that would be helpful.

13 MR. PHIPPS: There is -- Captain --

14 MR. O'FARRELL: I think he's gone now.

15 MR. PHIPPS: Oh, is he gone?

16 MR. O'FARRELL: There definitely is an SBA
17 ombudsman that we can -- we will connect you with.

18 MR. ZACCHEA: All right, so the time on deck,
19 12:31. We got to wrap it up. Off the record.

20 Just to respond to Jim, so the story is on
21 the record. We can certainly add that to our report as
22 an addendum for further reading, and, you know, it
23 certainly can be an action item or recommendations,
24 which I think is what the goal was to have them come
25 here and speak.

1 So we got to get off the record, though. We
2 have some things to do, and then we got some business
3 to attend to. So let's call the meeting at 12:31 p.m.
4 Thanks, everybody.

5 (Whereupon, the meeting was adjourned at
6 12:31 p.m.)

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